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—Would it be accurate to say that the U.S. solicited South Africa's help to turn the tide against the Soviet and Cuban-backed IPLA in Angola...?

—Order—If you say that of your own accord, I will not call you a liar.

Africa's Race Conflict as Viewed by Vorster

Prime Minister John Vorster of South Africa took time out of a parliamentary debate on the defense budget to discuss the ongoing black-white confrontation in southern Africa with a speech senior editor, Arnold de Borchgraeve. Excerpts from the conversation, which took place in Mr. Vorster's office at Pretoria, follow.

—What do you think would be the most effective way of defusing the white-black confrontation in southern Africa?

—The Minister Vorster—For immediate future, a stop to the vast quantities of arms flooding in from Soviet Union and other communist countries, not to black governments, but to white organizations, as well as to the moral and aid and comfort given to them.

—How do you propose to do this?

—Responsible leaders in the world can be expected to announce the attitude of the United Nations, for example, that gives moral support and status to Marxist-led guerrillas. As for responsible leaders, they must turn their feet down and prevent organizations from being set at international conferences, et cetera.

—And for the long term?

—For generations to come, this is not a derogatory word but a fact—Africa's fundamental difficulty will be to employ employment opportunities for countless millions who multiply faster than on any continent. So what Africa needs is assistance to help to provide genuine employment opportunities. The world looks at the white man as the one who has developed and enjoys security and prosperity or unconsciously he perceives his own position not as another black but with a team. In that respect, the world, not the East and guerrilla proxies, has the answer. Genuine development,



Prime Minister John Vorster

A—Smith's policy is just the opposite of our own. In theory, he has accepted majority rule but insists that standards be maintained. We have opted for development. But I have never recommended any sort of rule in Rhodesia. South Africa was merely instrumental in creating a climate within which it was possible for white and black Rhodesians to resume consultations, which broke down in the winter of 1974. Negotiations had lasted nine months. Terrorism then escalated and we then took a hard line in the matter, consulting with Zambia and others and helping bring Lusaka and Salisbury together. Thereafter, meetings took place in Salisbury, Lusaka and Pretoria at various levels, regrettably to no avail.

Q—How has the advent of black Marxist regimes in Angola, Mozambique and Guinea-Bissau, which followed similar regimes in ex-French Guinea, Congo-Brazzaville and Somalia—not to mention Libya, which is receiving billions in Soviet military aid, as well as Uganda—how have all these developments affected your thinking about the future of your defense policy with black Africa? Moderate states such as Zambia and Zaire now feel compelled to back Marxist guerrillas, so where does that leave détente?

A—Before the happenings in Angola and Mozambique, we had managed to build certain communication lines and bridges with a number of black African states. Naturally, some, as was to be expected, have been destroyed in the process. But some very vital ones remain.

Q—Would you call the Ivory Coast and the Central African Republic "vital" bridges?

A—Definitely, as evidenced by the fact that our South African Airways planes will land regularly in Abidjan (the Ivory Coast capital)—and bear in mind that we haven't landed anywhere in black Africa for the last 10 years. Furthermore, since those happenings, South African ministers and senior officials have visited approximately 10 African states.

Meinhof, On Trial as Terrorist, Is Suicide

By Michael Getler

BONN, May 9 (WP)—Ulrike Meinhof, the alleged co-founder of West Germany's Baader-Meinhof gang of extreme leftist urban guerrillas, was found hanged in his prison cell in Stammheim this morning, an apparent suicide.

After news of her death, the police and special anti-terrorist squads based for any resurgence of violence.

The 41-year-old Mrs. Meinhof, viewed as ideological leader of the gang that spread fear of anarchy through several West German cities in the late 1960s and early 1970s, is the second alleged member of that gang to have died in captivity.

In November, 1974, Holger Meins died in prison after a hunger strike against what he claimed were cruel conditions of detention. The next day, West Berlin's chief justice, Gerhard Drokmann, was gunned down by members of the so-called "June Second Movement," an offshoot of the Baader-Meinhof gang.

A few months later, the same gang claimed it masterminded the kidnapping of West Berlin's mayor, Willy Brandt, and his wife. Also last spring, a group of its sympathizers raided and blew up the West German Embassy in Stockholm, killing two diplomats.

According to officials at the fortresslike prison-court complex



Ulrike Meinhof

near Stuttgart where the Baader-Meinhof trial has been under way for almost a year, Mrs. Meinhof was found this morning hanging by a strip of clothing. She was kept alone in the cell.

An orphan at the age of 15, she was an art-history student who became a well-known editor of an underground leftist newspaper and eventually an avowed anarchist. She is the divorced mother of twins.

She teamed with Andreas Baader in West Berlin in the late 1960s, and the group they allegedly formed is charged with a string of bank robberies, bombings and the killing of five people and wounding of 54. The worst of these was in May, 1972, when four U.S. soldiers were killed and 14 injured in bombings at Frankfurt and Heidelberg.

Also on trial are Carl Raspe and Gudrun Ensslin. The Baader-Meinhof phenomenon has resulted in a series of strict court rulings and laws. Some civil libertarians here

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Toll Nears 800 In North Italy as New Quake Hits

From Wire Dispatches

UDINE, Italy, May 9.—Another earthquake shook northeastern Friuli Province today, leveling more houses. No new casualties were reported, but the death count from Thursday's quake neared 800.

The latest strong tremor, measuring 5.7 on the Richter scale, also damaged many houses across the border in Yugoslavia, forcing about 500 families in the Tolmin region to flee their homes. About 900 families were forced out of homes in Tolmin in the earlier quake.

The new quake hit as rescue workers continued to dig through the rubble in search of survivors and others killed by the first of 44 quakes and tremors that have ripped through northeast Italy since Thursday.

A 15-year-old girl and an 80-year-old woman were dug out of the ruins of nearby Gemona after being buried alive for 51 hours. Both were in serious condition, the woman with leg fractures caused by a falling refrigerator.

"We Will Rebuild"

Maiano, a Friuli Province town at the epicenter of the tremors, held the first mass burial of the disaster. The Rev. Giovanni Riboldi said at the mass: "We will rebuild the town. We will work as brothers and sisters as we have always been."

In Arterga, survivors began burying the dead in trenches without religious ceremonies.

"We're having no mass today," a priest wearing a surgical mask said. "Today we work."

Officials said that at least 781 bodies had been recovered from the wreckage but that the final toll was expected to reach 1,000 after many heaps of rubble were scoured.

They said that 2,300 persons were known to be injured.

"This Sort of Thing"

Today's tremor was most intense in the Padua-Rovigo area, Udine Police Chief Mario Festa said. "It was not all that bad but the people in that area were most scared because they're not used to this sort of thing," he said.

Officials said that the 180 prisoners in Udine's jail fled into the prison yard when the tremor struck. Police fired about a half-dozen shots into the air to warn them against scaling the walls.

A rumbling sound preceded the tremor in Udine, and when it began many of the city's 100,000 inhabitants not already camped outdoors dashed into squares and other open spaces.

A warm rain started falling in the late morning. Health officials welcomed it as a deterrent to possible epidemics encouraged by yesterday's hot weather.

Doctors said there was no immediate danger of an epidemic but began a vaccination campaign against typhoid. Cars with loudspeakers toured the ruined areas to urge everyone to get inoculations.

Long convoys of trucks continued to bring supplies and relief equipment into the area. Authorities asked all nonessential traffic to keep off the network of small access roads. No looting was reported.

Indirectly Accuses Zaire, South Africa Angola President Cites Border Violations

By David B. Ottaway

ANDARA, Angola, May 9 (WP)—Angolan President Agostinho Neto has said in a speech published here that there are still "trouble spots" along the country's northern and southern borders. For the first time, he directly accused Zaire and South Africa of continuing to arm incursions into Angola.

There are incursions being made from outside against our country," he said, referring to Zaire's border with Zaire in the north. "And, in the same way, there is a certain agitation or southern border."

There have been violations of border in the south... and this happened after we had talks with the authorities of a country who promised to their troops away from our area."

Although he mentioned no names, it was clear from the context that he was referring to Zaire regarding the northern border and South Africa and possibly Zambia.

The Angolan government has direct negotiations with Zaire Zaire over their past policy support for the two pro-Western factions defeated in the recent civil war here. And indirect contacts through

Britain and the Soviet Union in March to arrange for the withdrawal of South African troops. Mr. Neto made no threat in his speech last week to take action against Zaire or South Africa. But the fact that he even mentioned the issue was taken here as a sign of the Angolan government's growing irritation with its neighbors.

In the past, Angola has tended to dismiss the continuing troubles in the north and south as "banditism" and as part of the final death throes of the two defeated factions. But there is now concern that South Africa, Zaire and Zambia may still be secretly backing these groups.

The "trouble spots"—literally centers of instability—in the north that Mr. Neto was referring to are believed to be mainly in the oil-producing enclave of Cabinda, where there is still an active secessionist movement, and the northeast region of the country, where there are reportedly some guerrillas of the routed National Front for the Liberation of Angola army still operating.

In the south, there are scattered units of the other defeated pro-Western faction, the National Union for the Total Independence of Angola, still reportedly harassing troops of the Cuban Army and the victorious Popular Movement forces.



Agostinho Neto

Left Opposed Vote for Conservative Christian Sarkis Is Elected President of Lebanon

By Henry Tanner

BEIRUT, May 9 (NYT)—Elias Sarkis, a conservative banker and civil servant, was elected Lebanon's President yesterday in a dramatic session of Parliament as mortar shells thundered into the street outside and automatic small-arms fire raked the approaches to the meeting place.

Sixty-six of the 98 members of Parliament voted for Mr. Sarkis, 51. Three cast blank votes. The 29 others, who favored Raymond Eddé, the only rival candidate, boycotted the session in protest over what they called open military and political interference by Syria in favor of Mr. Sarkis.

The big unanswered question is whether the election of Mr. Sarkis will be the signal for new fighting or whether, as intended, it will hasten the end of the civil strife that began more than a year ago. By some estimates, more than 20,000 Lebanese have been killed in the conflict between Moslems and Christians and leftists and rightists, with Palestinian guerrilla involvement.

Premier Hails Vote

Premier Rashid Karami, a conservative Moslem, called the election an act of national reconciliation. "All of Lebanon has again become one family," he told the

members of Parliament after the voting.

But ordinary Lebanese were less optimistic. The streets of Beirut remained deserted as wary citizens stayed in their homes. Shell bursts, gunfire and the trucks filled with heavily armed men were the only sounds to be heard. The city was quiet today, news agencies reported, but scattered fighting broke out tonight.

The election outcome was a victory for the rightist Christians who supported Mr. Sarkis. It was also a victory for Syria, which had thrown its weight behind Mr. Sarkis and insisted that the election be held yesterday despite leftist Moslem demands for a postponement.

It was a crushing defeat for the leftist-Moslem alliance headed by Kamal Jumblatt, the Moslem Druse chieftain, who had defied Syria.

It was Mr. Jumblatt and his allies who originally had called for a new election, arguing that the pro-Sarkis members of Parliament were the only sounds to be heard. The city was quiet today, news agencies reported, but scattered fighting broke out tonight.

On Friday, when Mr. Jumblatt and his allies saw that they lacked the votes to block Mr. Sarkis's election, they called for resistance by leftist and Moslem militias.

Their hope was that Beirut would be plunged into such insecurity yesterday morning that the pro-Sarkis members of Parliament would find it too dangerous to drive to the Keslly Palace, the meeting place in the women's land between the two sides.

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FUNERAL FOR QUAKE VICTIMS—Rites are offered at the cemetery in Maiano, Italy.

1 Dead as Carlist Factions Clash in Spain

By Carlos Hugo's brother, Sixto, and is composed mostly of veterans of the Civil War who fought with Franco.

The first attack occurred when the estimated 6,000 marchers gathered at the monastery of Irujo near the old Carlist capital of Estella for the hour-long trek to the mountain.

As hundreds of police stood by, gangs of rightists fired shots and beat their rivals with iron bars, injuring several of them. The marchers went on, but later dozens of rightists waiting for them on the mountaintop shouted orders to turn back and fired sub-machine guns.

The dead man was identified as Ricardo Tilleiro, 19, a leather worker. A young man and two girls were struck by bullets.

Carlos Hugo and his wife were only 50 feet behind the wounded marchers, witnesses said.

The rally was later held at a spot a quarter-mile below the

rightist-held mountaintop. In a statement, Carlos Hugo renewed his claims to the throne, demanded a socialist and federated Spain and accused Juan Carlos of promoting Franco's authoritarian rule.

At the same time, 4,000 backers of Franco held a rally on Alcuñero Mountain near Zaragoza to commemorate the death of 60 young Falangists in the civil war.

In Salamanca, police arrested six alleged members of a Maoist group accused of subversive activities.

In Salamanca, Christian Democrat leader Jose Maria Gil-Robles told a meeting of his Popular Democratic party that the democratic opposition rejects the referendum on constitutional reform announced by the government for October.

He said that a plebiscite was not possible without proper parliamentary debate and discussions between the parties.

Waste Protest EEC Offices

RUGGELS, May 9 (Reuters). Pollution protesters have dumped a large block of concrete, which they say contains radioactive waste, on the doorstep of the Commission of the European Community.

Police said today that the two-cube was placed in the middle of a traffic circle outside the building. The environmentalists said it contains a core of radioactive waste, sulphate-235, of the type used to dump radioactive waste at sea.

Officials will use a Geiger counter to check for radioactivity or trying to move the block. Protesters said that they used it to dramatize demands for research into better ways of dealing with radioactive waste.

Bureau's Image Diminished

J. Edgar Is Sorry for FBI Acts, Blames Hoover in Wrongdoing

By John M. Goshko

WASHINGTON, May 9 (WP).—Director Clarence Kelley yesterday said the bureau "is sorry" for past abuses. For the first time, Kelley placed the blame for wrongdoing on J. Edgar Hoover.

The superhuman image of the FBI and the power and prestige that accompanied it, has diminished, Mr. Kelley said. Kelley, who took over the bureau in May 1975, said the bureau's image of criticism, the FBI suffered from Mount Olympus, as it turns out, we are mortal, with human imperfections and we always have been. Kelley said the bureau's image of criticism, the FBI suffered from Mount Olympus, as it turns out, we are mortal, with human imperfections and we always have been. Kelley said the bureau's image of criticism, the FBI suffered from Mount Olympus, as it turns out, we are mortal, with human imperfections and we always have been.

Speak Low, When You Speak Love

FRANCISCO, May 9 (AP).—Conversations about the bureau have been monitored and taped over loudspeakers at the Mill Valley telephone company, a former source has said.

John Huggins said the tapping occurred Friday at the Pacific Telephone office in the Marin County community where he worked in 1973 and 1974. Huggins, 33, said at a Utilities Commission hearing on a proposed rate increase that employees who on wiring and computers "go through the circuit until they found some reason that had some to do with sex or was in some well known person and would then put it on a loudspeaker."

I Stirred Silent Acts Among Blacks

By John Kifner

WASHINGTON, May 9 (NYT).—FBI carried out a secret, wide effort to "destroy" Black Panthers, including attempts to stir bloody "gang wars" between the Panthers and groups and the creation of a "Black Panther Party" within the Panthers, according to the staff report of the Select Committee on Intelligence.

FBI efforts contributed to acts of violence in which Black Panthers were shot in internecine battles, leading to the report. In the report, police and Panther leaders said there were two other slayings of Panthers in capacity rivalry in New York.

plan, part of the FBI effort, or counterintelligence against dissidents and is included driving a wedge between the Black Panthers and the Black-Rangers, a heavily armed group, according to the report.

report portrays a campaign which the FBI used a legion of informers, sometimes as provocateurs, and close cooperation with local police "red squads" to instill fear and disension among the Panthers. Cartoons depicting them, reportedly from groups, were drawn up and sent to increase antagonism. Stories were planted in friendly newspapers and on radio outlets to put the Panthers and their supporters in a bad light. Fake messages were to cause rifts between the Panthers and white leftist supporters.

a committee report said the tactics used in the Panther Party were "intolerable in a democratic society even if all of the Panthers had been involved in violence; but the report went beyond that. The tactics of the major premise of the report was that a law enforcement agency has the duty to do whatever is necessary to combat threats to the existing political order."

separate committee report on FBI efforts against the Panthers said that, although the report said the purpose of the program to prevent violence, some of the tactics were clearly intended to foster violence, and many could reasonably have been used to cause violence.



Jimmy Carter responding to crowd in campaign appearance in downtown Baltimore.

Before Johnson Had North Vietnam Bombed

Humphrey '65 Memo Opposed War Buildup

By Laurence Stern

WASHINGTON, May 9 (WP).—A previously unpublished message delivered by Sen. Hubert Humphrey, then the vice-president, to President Lyndon Johnson in February, 1965, warned in extraordinarily blunt language against escalation of the U.S. military role in Vietnam.

The written message, of which a copy has been obtained by The Washington Post, sheds new light on the Minnesota Democrat's initial role as an outspoken dissenter against a war of which he later became a loyal defender.

"Today in Vietnam," he wrote as vice-president, "we lack the very advantages we had in Korea. The public is worried and confused. Our rationale for action has shifted away now even from the notion that we are there as advisers on request of a free government, to the simple and politically barren argument of our 'national interest.'"

The Humphrey memorandum also predicted that a stepped-up U.S. military role in Vietnam would imperil the Johnson administration's objectives abroad and bring a backlash of opposition from the president's strongest political constituencies at home.

New Criticisms
"It is the first year when we can face the Vietnam problem without being preoccupied with the political repercussions from the Republican right," the message said. "Our political problems are likely to come from new and different sources [Democratic liberals, independents, labor] if we pursue an enlarged military policy very long."

President Johnson reacted with anger to the Humphrey memorandum, which he received on Feb. 17, a day before scheduling the start of Operation Rolling Thunder—the bombing of North Vietnam. For months afterward, Vice-President Humphrey was excluded from the inner-council deliberations of the Johnson administration, until he made his turnabout and supported the war.

The memorandum will be quoted in full in Sen. Humphrey's memoirs when they are published in June. It was drafted in consultation with Thomas Hughes, then director of the State Department's Bureau of Intelligence and Research.

The story of its origins sheds light on the relationship between the two U.S. leaders as well as on the role of the National Security Council bureaucracy when President Johnson's decision to approve the B-52 bombing of North Vietnam became known in the upper levels of the government in Washington and Saigon. Mr. Hughes was at his State Department desk when he learned of the president's decision on Feb. 18, 1965.

Six days earlier, Viet Cong forces had attacked a U.S. advisory base at Pleiku and a helicopter base at Camp Holway while the president's national security adviser, McGeorge Bundy, was on a visit to South Vietnam. On Feb. 10, Vice-President Humphrey had appeared at a National Security Council meeting to argue the case of a minority against the already-approved NSC decision to launch a reprisal raid against the North.

The president ignored the Humphrey stand at the NSC session. Mr. Hughes, who during the mid-1950s had served as Sen. Humphrey's legislative assistant, telephoned the vice-president from home on the night of Feb. 13, a Saturday. Mr. Hughes, too, had dissented against escalation of the war, but he had supported Truman "on the great issues affecting peace and national security which, in the best traditions of our history, ought never to be exploited or distorted for purely personal or partisan political advantage."

During their conference, Vice-President Humphrey observed that "this looks like my last chance to influence the decision," according to Mr. Hughes.

The vice-president asked Mr. Hughes to help him prepare a memorandum stressing the political liabilities of Vietnam for the president, but he remarked that he could not be sure Mr. Johnson would listen to anything he had to say. "I can only talk to him as a long-standing political ally," the vice-president told Mr. Hughes.

Draft Presented
The two men returned to Washington the night of Feb. 15. The following day Mr. Hughes gave his former boss a typewritten draft of the memorandum for presentation to the president on Feb. 17.

The president's answer was delivered on Feb. 18 when he scheduled Rolling Thunder to begin against North Vietnam two days later. A special national intelligence estimate was issued, predicting—as the document was summarized in the Pentagon Papers—that sustained attacks on the North would cause Hanoi to seek a respite rather than to intensify the struggle in the South.



Sen. Hubert Humphrey shows off a Bicentennial tie.

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Although Farm Long Closed

Effects of Virginia Pesticide Disaster Linger

By J.Y. Smith

WASHINGTON, May 9 (WP).—The factory where the poison known as Kepone was manufactured is gone now. Earth where the site stood, behind an abandoned garage, was removed to a depth of three feet to rid the area of contamination.

But the Kepone that was made there lingers elsewhere in the city of Hopewell, Va. It is so indestructible and dangerous that members of the federal grand jury that indicted the manufacturers of the pesticide and the city of Hopewell Friday for alleged violations of environmental protection laws were required to wear rubber gloves when they examined documents that were covered with Kepone dust.

Tests done for the National Cancer Institute have shown that rats fed Kepone as part of their diet developed cancer of the liver.

Virginia health officials said there is no way of knowing how long Kepone poisoning will continue to affect some Hopewell residents. Twenty-five persons have been hospitalized there for Kepone poisoning and traces of the chemical have been found in the blood of 40 others who lived within a quarter of a mile of the plant.

River Is Poisoned

The officials said they do not know how long the James River—where quantities of the poison settled, mainly after passing through the Hopewell sewage system—will remain unsafe for fishing.

They said they do not know how to dispose of Kepone-contaminated sludge from the sewage plant. The state recently let a contract to an engineering firm to devise a special incinerator to burn the waste without emitting poisons into the atmosphere. According to Dr. Robert Jackson, the state epidemiologist, the project is expected to cost "well over \$1 million."

Finally, there is no assurance that the disaster that struck at Hopewell cannot be repeated elsewhere, Dr. Jackson said.

"In our industrial society, with the limited number of individuals involved in enforcement, you are never, ever . . ." he paused to emphasize the words . . . going to have enough inspectors to look over the shoulder of every operator."

In fact, many inspectors on both the state and federal level, officials now agree, should have known Kepone was posing a substantial danger to the 149 workers employed at the Life Science Products Co., where the product was manufactured in Hopewell. The plant was closed last July 24, partly through the efforts of Dr. Jackson.

Kepone also was a threat to residents and to the environment in general. But the agencies that the inspectors represented failed to act promptly, many officials said later. Had they done so, Dr.

Jackson said the problem could have been minimized.

The failure to act, another state official has said, was "a tragic comedy of errors."

Kepone is used in small quantities in pesticides designed to kill ants and roaches. It is also used to spray crops, such as potatoes, and much of the Kepone made in Hopewell was exported to Europe for that purpose.

The chemical is related to DDT, Aldrin and Dieldrin, all of which have been banned in the United States because of dangers they pose to health and the environment.

From 1968 to 1974, Kepone was manufactured by the plant Allied Chemical Co. in Hopewell, which calls itself "the chemical capital of the South." Allied employs 4,000 in its plants in Hopewell, which has a population of about 24,000.

In early 1974, the manufacture of Kepone was taken over by Life Science Products Co., a firm formed by William Moore and Virgil Hundtorte, both of whom are former employees of Allied.

Allied supplied Life Science with the raw materials for Kepone. It bought the entire output of Kepone, which was the sole product of Life Science.

When Mr. Moore and Mr. Hundtorte set up their plant—a makeshift affair that has been buried in a special, plastic-lined pit in a Hopewell landfill—they got permission to pipe the plant's

effluent into the city sewage system.

The result was that Kepone-laden waste killed bacteria necessary to kill waste in the sewage plant. This effectively put the plant out of operation. Even now, it is only partly back in operation, according to state health officials.

Because the effluent from the sewage plant was dumped into the James River, Kepone remains in the mud on the bottom of the river. Officials are now taking samples of fish and water from Chesapeake Bay to see how far the contamination has gone.

The problem at the Hopewell sewage plant was discovered by an inspector of the State Water Control Board Oct. 3, 1974, about eight months after Life Science went into business. He found heavy concentrations of Kepone in the sewage plant.

Hopewell officials were informed. So were the State Health Department and the U.S. Environmental Protection Agency. Officials of Life Science Products assured city officials that the problem could be solved by a new treatment process at the Life Science plant.

At about the same time, a monitoring station of the Virginia Air Pollution Control Board noticed large quantities of dust—later determined to be Kepone—in the air. However, the function of the agency is merely to measure the amount of matter in the air—not to analyze it. Thus, the board took no action.

In March of last year, an investigator of the federal Environmental Protection Agency visited the Hopewell plant. He found that Kepone was being made there but was told by a lawyer for the firm that it was not a pesticide as defined by law because it had to be mixed with other substances before it was used. So the EPA took no action.

"Hazardous Nature"

In June, the Bureau of Industrial Hygiene found that products of "a hazardous nature" were being made by Life Science Products. But because of a lack of "formal procedure" it never alerted the U.S. Occupational Safety and Health Administration or the Department of Labor.

It was not until Dr. Jackson received a report from the U.S. Center for Disease Control in Atlanta that action was taken. The report said that a worker at the Hopewell plant was suffering from Kepone poisoning. On July 24, three days after he received the report and a day after he inspected the plant, Dr. Jackson had the firm closed. Kepone had been packed in cardboard containers bearing a label which said: "May be fatal if swallowed, inhaled, or absorbed through skin."

The symptoms of the 29 workers at the Life Science plant who were hospitalized for Kepone poisoning included severe tremors, headaches, liver ailments, erratic eye movements and sterility. Stillbirths have been experienced by women.

Dr. Jackson is concerned about Hopewell at large. "Enormous amounts of it circulated around," he said. "We've undertaken a cleaning program for the homes of the employees."

Damage Suits Filed

Those who have suffered physically and economically as a result of the Kepone episode have filed damage suits against the manufacturers of the product, asking for \$140 million.

In its session this year, the Virginia General Assembly passed laws designed to change the conditions under which poisons are manufactured.

The laws also provide for inspections by state officials. What they do not provide is money to police these functions, according to Dr. Jackson.

"We may have to go back and ask for more money next year," he said. "Right now we are in the position of having a lot more to do without the means to do it. The possibility of a similar situation occurring is very real."

Voters' League Finds 'Women' Worth Keeping

NEW YORK, May 9 (AP).—

The League of Women Voters says its name is more valuable than sexist and will not be changed.

More than a dozen proposals to change the name of the 56-year-old organization came before the league last week at its annual convention. The league has accepted male members for the last two years and the name changes were proposed to reflect this.

Only about 80 of the 1,400 delegates supported a name change. The majority argued that the name of the organization was well-known, that the name and the group enjoyed a certain prestige, and that the organization would have no control over the use of the name if the group abandoned it.

A delegate said that the league had a number of problems, "the least of which is whether men will be offended by joining an organization that includes women in its title."

Democratic Senators Charge U.S. Duplicity on Diego Garcia

By Spencer Rich

WASHINGTON, May 9 (WP).—Democratic senators, led by John Culver of Iowa and Senate Majority Leader Mike Mansfield of Montana, have accused the Ford administration of arrogance, duplicity and deception and have demanded a full-scale congressional investigation of State Department actions to foster construction of the U.S. naval base on the island of Diego Garcia in the Indian Ocean.

Sen. Culver, backed by Sen. Stuart Symington of Missouri, Edward Kennedy of Massachusetts and Claiborne Pell of Rhode Island, has drafted a study resolution and says that he is preparing to press it to learn about the costs, conditions and diplomatic actions involving the base.

The dispute over Diego Garcia was revived by three developments:

• Receipt of an April 15 report from the State Department, indicating in Sen. Mansfield's words, that the administration has ignored a congressional mandate last December to try to negotiate with the Soviet Union a mutual arms restraint agreement for the Indian Ocean. Sen. Mansfield said that despite the Democratic directive, the State Department had not approached the Soviet Union on the matter and its report stated, "We do not perceive it to be in the U.S. interest just at this time."

• Testimony Tuesday by James Akina, the former U.S. ambassador to Saudi Arabia, that the State Department ignored an offer by Saudi Arabia last year to finance aid to Somalia in order to eliminate the Soviet presence in that country. The Democratic senators said Mr. Akina's testimony suggested that the Saudi offer was ignored because the elimination of Russian influence in Somalia would rob the Pentagon of its excuse for building the Diego Garcia base.

• A charge by Sen. Mansfield that a congressional delegation that visited Somalia last July to study the effect of Soviet naval encroachments there on the U.S.

building on Diego Garcia had been steered away from Saudi Arabia by the State Department for fear the mission would learn of the Saudi offer to Somalia.

"The Senate would have found out about the offer, the administration would have been embarrassed, and the Senate judgment [to allow] expending the facilities on Diego Garcia might very well have been different," Sen. Mansfield said.

The Senate has been battling the administration over the base for several years. Sen. Culver has repeatedly argued that the United States could avoid a naval buildup in the Indian Ocean by negotiating with the Soviet Union to limit armaments there.

Sen. Culver contends that, if the United States takes the lead in trying to negotiate mutual arms restraints in the area, then the onus for any arms buildup would be on the Soviet Union.

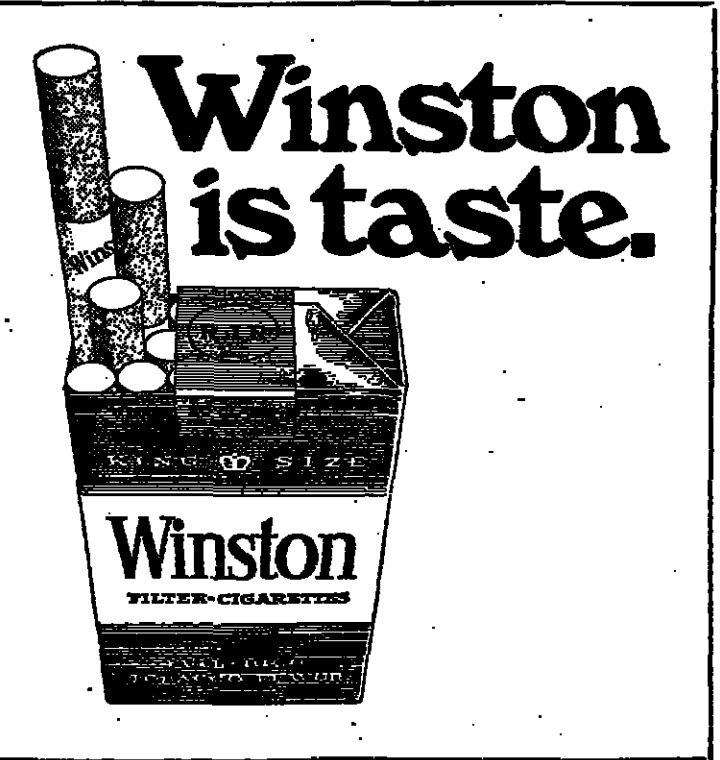
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Strategic Sense

The annual "strategic survey" of the International Institute for Strategic Studies, a London-based organization widely respected for being objective and well informed, makes a significant if unintended contribution to the U.S. political campaign. It gives the American electorate about as solid an independent and expert judgment as it is likely to get on what Ronald Reagan has made the centerpiece of his challenge to President Ford—the charge that the United States is becoming No. 2 to the Soviet Union's No. 1 in world power. The institute's answer is: Not so.

The institute's well-known "Military Balance" is to be published shortly. Its newly issued "Strategic Survey" just touches on the Soviet-U.S. military equation, terming it "acceptable" to the West despite Soviet strategic and naval growth, and noting that in Europe the Warsaw Pact's advantage in numbers of men, tanks and planes is offset by NATO's qualitative edge. The prime value of the new report, however, is to move beyond tallies of particular items of military hardware into a more general—and more meaningful—assessment of the overall strategic factors. In those terms, says the report, the United States has emerged from its recent years of crisis "in better shape" than the Soviet Union.

Here is the big picture: The United States has suffered setbacks in Southeast Asia and Angola, and its flexibility has been diminished both as a post-Vietnam tendency

toward "selective involvement"—although the commitment to Europe and Japan is "strengthened"—and by the burgeoning of an "executive presidency" in counterpoint to the "imperial presidency." But look at the troubles the Russians have recently seen: Egypt has moved way out of Moscow's orbit, Syria and Iraq part way out; Japan has moved away from Moscow toward Peking, while China has kept even with the Russians in Indochina; the Communists of Portugal have been defeated and those elsewhere in Western Europe are insisting on independence from Moscow. Major grain shortfalls and Politburo uncertainties have marked Soviet performance at home.

The message of the survey is not, of course, that the United States can relax. Quite the contrary. The survey does show, however, that Gov. Reagan's deliberate cultivation of American anxieties about national security is not only quite possibly cynical in purpose but extremely misleading and uninformed in fact. Just how Gov. Reagan can be induced to abandon his fatuous yawning about the presumed deterioration of the U.S. global position is hard to say, although a good kick in the primaries surely would help. President Ford, at any rate, ought to make good use of the responsible viewpoint now supported so authoritatively by the international institute. In place of what you could call the politics of gratuitous fear practiced by Gov. Reagan, the President should go with the politics of strategic sense.

THE WASHINGTON POST.

Arafat's Shift to Egypt

The immediate beneficiary of the new-found community of interests between Egypt and the Palestinian Liberation Organization is President Sadat. Ostracized as a pariah by the Arab world after agreeing to the second Sinai disengagement agreement with Israel last September, the Egyptian leader only now seems to be emerging from dangerous isolation. For that long-awaited circumstance, he has to thank the tumult of Lebanon.

Once the Ba'athist regime of Syria became so deeply committed to restoring governmental stability in Lebanon, it was a safe bet that the Palestinian leader, Yasser Arafat, would start maneuvering toward rapprochement with Cairo. Having eagerly accepted Syrian patronage after the Sinai agreement, which he regarded as an Egyptian sell-out, Arafat found his interests diverging from those of President Assad in the Lebanese caldron.

Uppermost among Palestinian concerns was maintenance of base areas and freedom of movement for operations against Israel; for Syria, this interest was secondary to preservation of Lebanese unity. Beirut-based Palestinians feared—perhaps with justification—that their interests would once again be sold out by their current patron, just as they were so often in the past.

Syrian President Assad's plan to assume Arab leadership in the confrontation with Israel has been indefinitely stunted aside by his preoccupations in Lebanon. The way is now open for President Sadat to reassume Egypt's traditional role of leadership in Arab-Israeli politics, acting once again in the name and defense of the Palestinians.

If outside powers cannot hope to have much influence in these inter-Arab machinations, they can be ready to jump at the first sign of a constructive peacemaking initiative from Cairo—as opposed to the propaganda attacks uttered from the United Nations. If his PLO relationship develops, Sadat will be in a position to launch such an initiative, as he has not been for nine months past.

For the longer run, it is in Israel's and the Palestinians' interests that this cycle of shifting patronages be ended, that the Palestinians be accorded a political standing of their own. Only upon seeing a credible prospect of gaining some satisfaction of their long-time frustrations in their own right can the Palestinian political leaders be lured into a negotiating posture. Only then would their recognition of Israel's legitimate rights alongside their own become a realistic Palestinian option.

THE NEW YORK TIMES.

Mr. Simon in Santiago

Secretary of the Treasury William Simon, the first U.S. Cabinet member to visit Chile since the military takeover in 1973, said things that needed saying in Santiago and evidently made an impression on President Pinochet and his colleagues. In an obvious bid to dilute U.S. criticism of its repressive practices, Chile's ruling junta announced the release of 49 political prisoners even before Mr. Simon's arrival.

After Mr. Simon had warned publicly that U.S. aid for Chile's depressed economy would be linked to progress in restoring political and social freedoms, the junta made a second important gesture: It allowed Mr. Simon to report that it had dropped its opposition to a visit by the United Nations Human Rights Commission to investigate allegations of widespread torture and arbitrary detention by the military regime.

Chile had invited the UN panel to conduct on-the-spot investigations last year, but President Pinochet abruptly postponed the visit a week before it was to have begun. The postponement embarrassed the United States, which had gone along with other members

of the Organization of American States in calling off an OAS investigation of human rights violations in Chile in deference to the UN body's projected visit.

The junta is obviously trying to give the world an impression of genuine progress in the human rights area in order to encourage an increase in the flow of economic aid from Washington and elsewhere, and also to insure that nothing prevents the meeting in Santiago next month of the OAS General Assembly. The presence of the assembly—including Secretary of State Henry Kissinger—will give the military regime the kind of prestige it has never previously enjoyed in the inter-American system.

But Chile, once the most durable democracy in South America, has a long road to travel in restoring human rights before it can hope to regain a position of international respect. The release of the 49 political prisoners, who have agreed to go into exile abroad, still leaves an estimated 4,000 in jail, 32 months after the overthrow of President Salvador Allende.

THE NEW YORK TIMES.

International Opinion

France and West Germany

Relations between Paris and Bonn seem to be heading for another of their periodic lulls, with the West German chancellor, Herr Schmidt, making snide remarks about French political instability, and President Giscard of France calling publicly for a French Army to equal that of West Germany's.

Nobody but the Russians can derive any pleasure from this. Franco-German reconciliation was the basis for post-war West European recovery. Their friendship must continue to be the central pillar of Western European unity.

—From the Sunday Telegraph (London).

In the International Edition

Seventy-Five Years Ago

May 10, 1901

WASHINGTON.—State Department officials are becoming concerned about the increasing evidence of German economic activity in South America. Also, Germany is literally invading the various States in that part of the world, especially Brazil. In Brazil alone there are nearly 250,000 German settlers who hold an important economic position in the country, and who have replaced British trade and influence.

Fifty Years Ago

May 10, 1926

BOSTON.—An order given here for 100 black shirts with the Fascist emblem on the collar revealed the formation in Milford, Mass., of a local branch organization of the Fascists. The order was placed by Mr. Nicolas Savino of Milford who freely admitted that such a move was in progress. He expressed admiration for Fascist principles and said there were many people in the area who shared his views.

Better Climate

All this has undoubtedly helped improve the political climate in Africa—from a U.S. viewpoint. But one will not be able to gauge the extent of any improvement until Congress gives Kissinger tangible support by voting him

Flexible Spasm in Africa

By C. L. Sulzberger

PARIS.—In a 1968 analysis Henry Kissinger, then a Harvard professor with no government position, observed: "One notices a tendency in American foreign policy to spasms of rigidity and spasms of tactical flexibility." This, it may be said, is not only still a tendency of U.S. diplomacy, it applies also to most democratic systems where parties and political moods shift, inevitably affecting all but the most fundamental aspects of policy-making.

The speedy change in United States attitudes toward sub-Saharan Africa is a perfect instance of a "spasm of tactical flexibility." For years Washington had a relatively rigid view on Africa: keep the Russians and Chinese out and, apart from pious platitudes, don't get too involved.

This vague approach, avoiding complexities, went by the boards during the Angola crisis. When Congress spurned Kissinger's lead, ignoring a considerable armed Soviet intrusion, "tactical flexibility" was imposed on American policy.

Rebuff

The congressional rebuff to Kissinger's plan to "save" Angola, whose majority population then opposed the Soviet-and-Cuban backed MPLA, almost caused the secretary to resign. He realized that his global policy was dangerously threatened by a situation few Americans recognized as grave.

All sub-Saharan Africa, which includes other Soviet-and-Cuban military strongpoints, was threatened by the Angolan collapse. Western Europe retains strong traditional ties to and considerable interests in its former colonies and has established friendly relations with most of them. It was appalled by the prospect of having everything swept away in a tide no longer even remotely dammed by U.S. opposition.

The situation facing the United States was one of great loss of prestige among friendly black nations like Zaire and Zambia, the implicit menace of 15,000 Soviet-armed Cuban troops still in Angola, imminent race war in Rhodesia, probably also in Namibia (South-West Africa) and possibly in the end extending to South Africa. Kissinger's shuttle trip was therefore designed to erect a new multilateral structure in the hope of avoiding disaster.

It is clear to most people that the 46 African nations are not strong enough yet to defend their economic, social, political and development interests unaided and that the Organization of African Unity (OAU) has not proven brilliantly effective. Pro-Western countries like Senegal and Zaire, almost surrounded by well-armed Soviet client states, were therefore floundering in despair.

Kissinger's initial attempt to produce the first U.S. African policy since the Congo (now Zaire) failed in Angola because of a combination of congressional opposition and public disinterest. On his May safari he therefore sought to rectify this American failure by personal contacts with leading African nationalists, pledges of nonmilitary support for liberation movements and a call for an international resources bank to guarantee price-supports for raw materials in developing lands.

the necessary funds and also by enacting a legal boycott against Rhodesian chrome purchases (like the rest of the UN).

Meanwhile, however, the situation has been temporarily stabilized. Black nations are not overwhelmingly inclined to accept ideological views propounded by Moscow and Havana and their commercial links are limited. Soviet influence in Africa relies on arms—and arms alone. This is not considered a healthy situation by the numerous African leaders who recognize it as a fact.

Consequently, one may expect American policy to try hard during the hiatus—at least temporary—in Africa's rush to bloodshed and possible disaster, by attempting the following three tactical moves:

(1) To stress the distinction between South Africa and Rhodesia, encouraging the latter not

to follow Ian Smith's lemming course. It is more than likely that Kissinger will soon arrange talks with South African Prime Minister Vorster to explain the evolving situation as he sees it and at least to suggest speedy, positive consideration of greater political, social and economic rights for nonwhites.

(2) To isolate Rhodesia and help Namibia gain its freedom while urging moderation among the black liberation movements and above all a racial tolerance they themselves have not been accorded.

(3) And, finally, to work quietly in tandem with our new friend China, which has its own vital interest in preventing Soviet expansionism. Washington and Peking logically can agree to stress such foreign interests as they have in common and assure parallel actions in Africa.

E. Europe and Peace

Public opinion quickly forgets events of the past and is generally preoccupied only by present problems. The Hungarian revolution of 1956 as well as the military intervention in Prague in 1968 might interest historians, but not sensation-hungry journalists or politicians haunted by ambitions. For the last 4 or 5 years one could hardly hear or read about special Eastern European problems. Those who were directly interested in the problems of this part of our Continent—about 100 million people—were, and still are, condemned to silence.

However, an article of two U.S. columnists, Rowland Evans and Robert Novak, suddenly called the attention of the political world to their problem. The article was titled "The Sonnenfeldt Doctrine." Do the words of Mr. Sonnenfeldt of the State Department mean that the United States accepts the Soviet point of view according to which the countries of Eastern Europe belong to the Soviet sphere of influence and that their sovereignty is limited? Can the U.S. government neglect the principle of the right to self-determination of highly cultured Europeans? And why should it? Because the Kremlin wants the acceptance by the Western powers of the "realities created by the war"? In the Middle East, "realities created by a war" have not been accepted either by the United States, or by the Soviet Union. And would world peace be assured if the Western powers accepted to consider the small countries of Eastern Europe as belonging to the Soviet sphere of influence; or if new institutional or "organic" links had been created between the Soviet Union and these countries? Certainly not.

The security of Soviet Russia is not threatened by its Western neighbors. The possibility of rebellions or revolutions in case of despair of the population always exists, and according to Mr. Sonnenfeldt could lead to World War III. The U.S. government, instead of recommending a closer union of the Warsaw Pact countries, would render a much better service to peace and to the oppressed peoples by trying to convince the Kremlin that its real interest would be the neutralization of the small countries of Eastern Europe, guaranteed by the Great Powers and the presence of the UN.

The majority of the population—at least in the Danube Valley—

would gladly welcome such a solution. Following the Austrian pattern and confirm this in case of a referendum. Security of the Soviet Union's western frontiers and Western Europe's eastern frontiers would improve; a lasting world peace could be expected.

PAUL DE AUER.

A Tired U.S.?

The Secretary of State, Henry Kissinger, rhetorically reiterated before the Rotary Club of Phoenix, Ariz. (GHT, April 15) that the United States is not a tired nation of tired people. On the back page of the same issue of the NYT, however, there is an article by Bill Boyarsky contradicting this. For it concerns the silence of his nation's youth, the student population.

The student population of the 1960s feared neither denouncing the cover-up of the murder of Dr. King or the Kennedys, the U.S. "crystal night" (the Chicago Democratic Convention of 1968), the vicious and illegal war against Vietnam which did not attack the United States, nor the interference in the internal affairs of other nations (Chile under Allende and Cyprus).

Is the United States tired? It seems to this observer that until a leader arises of the ability of an Adlai Stevenson of 1952 or Eugene McCarthy of 1968 for perhaps most of all a Franklin Roosevelt of 1932), the U.S. youth, as described by Boyarsky, will continue to withdraw into their shells. But why not? The lessons taught the early teenage Americans about the "law and order" era of the Nixonian period will last well into the 1980s. The instructions given by those leaders, such as the ex-president and his top-coop Mitchell were ones of lying, shamelessness and cheating.

Or does Mr. Kissinger not actually realize just what has happened in his adopted country?

HOWARD GOLD.

No No Smoking

Nice try by Russell Baker in "No No Smoking" (GHT, April 30) but it won't work. Mr. Baker tries to imply that to smoke is a choice because he once stopped smoking. His present status as a smoker presumably qualifies as an equally valid resolution when in fact smoking is a habit and an addiction, choice having little if anything to do with it.

Ford and Reagan

Republican Dilemma

By James Reston

WASHINGTON.—The Republican party is in trouble these days because it is playing its worst cards. Its strengths are that it has the presidency, the economy is recovering and the nation is at peace for the first time in many years, but the GOP seems determined to attack its own strengths.

Just when the economy of the country began to turn up, Governor Reagan, instead of dramatizing the recovery, implied that it was a political trick that would probably decline into another recession after the election, and he also diverted attention from that issue to an attack on the Ford-Kissinger foreign policy.

This may help Reagan in the short run, as we have seen in the Texas and Indiana primaries, but it hurts and divides a minority party that needs all the strength it has left. Look at the GOP's basic problems:

They now have the allegiance of only 19 per cent of the registered voters of the country. They are a minority of 33 to 63 in the United States Senate, and behind one to two in the House of Representatives.

They have only 13 of the 50 governors of the states, and only two of the 10 largest—Ohio and Michigan—and in the state legislatures their problem is even worse. The Democrats control both houses in 37 states, and the Republicans control both houses in only four states, all of them small.

These figures are important in a presidential election where the governors and legislative majorities tend to control political patronage and the political organizations, so a minority party needs all the power it can get.

The office of the presidency is probably the most powerful political engine there is. Ford will have the power of decision throughout the coming months of the campaign. He will have the immense advantage of publicity during the symbolic ceremonies of the 200th anniversary of the Declaration of Independence on the Fourth of July.

Also Ford himself, though an accidental and unexpected chief executive, has unusual power in his own right. Agree with him and his policies or not, but he has restored a sense of decency and respect to this troubled city after a difficult and dishonorable time.

Henry Kissinger also has power, more among the voters and more influence, and respect in the world than in the universities, the press, or even among the leading politicians of the Republican party. This is not a power to be trifled with, for if Governor Reagan were to get the nomination by attacking Kissinger's foreign policy, Kissinger might very well stump the country against him in the last months of the campaign.

Nevertheless the strength the GOP has left are the powers under most a tack by Governor Reagan, his extreme conservatism of both parties.

The President is at a loss to blame for the trouble party. More than any of us, he knows the importance of the presidency and the need of his party to take the offensive against the Democrats. He has lost four straight primaries as a result.

Ford could have won primaries altogether, and to his work in the White House he chose to get into it as he was still a contender for the election in 1980, and he gathered a bush-league political advisers headed by Bo Callaway, who even save himself.

In Ford's struggle for public nomination, it won't matter in the end who wins the election, but he is just beginning to change his tune.

The conservatives who Republican nomination may favor Reagan guess he is that they have the courage of their convictions and want to win bad to go with Ford and House rather than with Reagan and Hollywood.

Still Wide Open

Both parties are now in a race that is open, that maybe a bit of a contrivance. Carter will be dumped and, but the consequences of ditching them are particularly on the side, for to reject the developing economic scene, plus Ford's obvious are the main strength publicans have left.

The Wallace cross-over Reagan victories in Indiana have confused and broken the Reagan and a genuine threat to Ford nomination, but when Republicans add strengths and weaknesses, will undoubtedly settle.

The President has cleared tactics since his election, and has been the old peace and progress in Nebraska and this weekend, but Reagan's victory is just when Governor's gaining speed, and the support of Leonard of the UAW and Henry of the forthcoming Michigan.

Cambodia Ev

One waits—apparently—for that great human sage, Anthony Lewis, some comment on the fact that he is going to Cambodia since the U.S. seized power. Or does he feel that those who temerity to criticize the policy of getting out of "cultural hell" is guilty of "cultural hell"?

MILAN S.

Rape and the F

Susan Heller Anderson, congratulated upon her coverage GHT, April and the French.

We need more like lawyers such as Claude and Gisèle Halimi, the ugly conspiracy, subject, and not just in Saint-Germain-en-Laye.

I read with interest "Rape and the French" (April 27) and I am glad that the young generation of the gravity problem, and the effect rape has on the whole and the youth of the future in particular.

Lawyer Claudette Elie have a wide support in France but wherever sense exists among people, faith to eradicate this. Let us hope and trust the young generation healthy world and a future.

SAMY J.

Geneva.

Sea Talk Sails to Solve Isic Issues

ference Is Ended;
just Session Set

By Kathleen Teltsch

NEW YORK, May 9 (NYT).—Eight weeks of negotiations for a treaty covering sea-bed minerals have ended with a session in New York on May 9 to complete work begun in

part they have been working on would cover shipping, scientific research, pollution and sharing of the resource.

clashes of interests that marked the current session of private negotiations were reflected again at the meeting.

Unresolved Issue

Beesley of Canada said the unresolved issue was the lack of the 100 coastal states and a condition of that are landlocked or have no coastline. The coastal members are demanding access to the sea and are in fisheries and other resources.

Beesley said that an attempt to end the impasse must be made by the next session.

Wolf of Austria, a spokesman for the landlocked coalition, stated in a statement that "obstacles to progress" had been at this session in meeting coalition members' demands.

Beesley said that an attempt to end the impasse must be made by the next session.

United States, in an effort to end the conference toward a treaty agreement, has also warned that it will explore and mine the sea unless a treaty agreement is reached soon.

Secretary of State Henry Kissinger, when he offered a new proposal and announced he would lead the U.S. team in the next negotiating round.

S. Team Beats Italy for World Edge Crown

MONTE CARLO, May 9 (NYT).—The United States won the team bridge championship yesterday, defeating the Blue Team by 34 international match points, 232 to 198.

The two countries had met in strength in championship play, but the first time that Americans won.

Frederick and Fred Hamill of Los Angeles played every and were outstanding among U.S. sextet. The other members of the winning team were Rubin, Paul Soloway, Erik Sen and Hugh Ross, the latter playing almost perfectly in 32 deals in which they substituted for Mr. Rubin and Sen.

The losers, Benito Garozzo, claimed his reputation as one of the world's great players, playing solid results with his young partner, Arturo Franco. But the partnership of Pietro Forquet and Giorgio Belladonna, two players with much experience, was a failure.

byans Charged Sabotage Try

CAIRO, May 9 (UPI).—A tip of Libyan sent to Egypt May 9, charged, including attempts to blow up gasoline pumps in the Nile Delta, has arrested, Interior Minister said.

Fahmi said that the Libyans planted some bombs, some of which exploded, in various areas of the Nile Delta since the seizure of power in 1969.

They concentrated their actions on gasoline stations in order to achieve maximum effect, he was quoted as saying. He was arrested and made complete confessions about their actions and those responsible for financing them, he said. He did not say how many were arrested.

Fahmi blamed Libyan President Muammar Gaddafi for alleged sabotage attempts, which the minister said was intended to mar May Day celebrations and a speech by President Sadat at Suez city.

in Tripoli, the Arab Revolution News Agency rejected the charges in strong terms.

sh Roe Fatal to 13

TEHRAN, May 9 (Reuters).—Thirteen persons died of food poisoning and 57 were hospitalized after eating raw fish roe from the Caspian Sea city of Golestan, the newspaper Rastakhiz reported today.



Otto Kerner

Otto Kerner, Ex-Governor Of Ill., Dies

CHICAGO, May 9 (UPI).—Otto Kerner Jr., 67, two-time Illinois governor and former judge of the U.S. Court of Appeals, died today of lung cancer.

Last year, while serving a three-year term for a race-track stock-bribe scheme, he was paroled and underwent surgery for cancer five days later.

On Thursday, the deputy attorney general granted Kerner's petition for a waiver of the requirement that convicted felons wait five years after their release from prison before seeking a pardon.

In 1967, President Lyndon Johnson named Kerner to head the National Commission on Civil Disorders. The commission reported in 1968 that the nation was moving toward "two societies, one black, one white—separate and unequal."

Kerner chose not to run for a third term as governor. He was still governor in 1968 when Mr. Johnson named him to the U.S. court of appeals.

Kerner was convicted on Feb. 19, 1973, of having taken race-track stock as a bribe during his second term as governor. He appealed the conviction to the Supreme Court.

He lost the court battle, but refused to resign his judgeship until five days before he entered federal prison on July 29, 1974.

M. B. Skaggs

OAKLAND, Calif., May 9 (AP).—M. B. Skaggs, 88, founder of Safeway Stores Inc., the largest supermarket chain in the United States, died yesterday.

Mr. Skaggs spent \$1,088 in 1915 to buy a grocery store in American Falls, Idaho, from his father. In less than 11 years, with the help of his five brothers, he built a network of 428 stores serving towns and cities in 10 states.

Li Ta-chang

HONG KONG, May 9 (UPI).—Li Ta-chang, 76, a Chinese Communist party Central Committee member, died on May 3 in Peking, the Chinese news agency said yesterday.

Mr. Li also held the posts of director of the United Front Work Department of the party Central Committee and deputy to the fourth National People's Congress, it said.

Train Jolted: 2 Die

TUNIS, May 9 (Reuters).—Two youngsters were killed and two injured when they were thrown from a train after it struck an iron bar on the track near here yesterday, the newspaper Le Temps reported today. Police suspected sabotage.



PLAYFUL—Two kittens try out a skateboard on Ohio.

French Reds Hit Schmidt And Giscard

German Is Criticized
For 'Disdainful' Stand

By Flora Lewis

PARIS, May 9 (NYT).—The French Communist party, intensifying its flamboyant new campaign of nationalism, took after West German Chancellor Helmut Schmidt yesterday, saying he had been like a "disdainful sovereign" toward France. The party also attacked President Valéry Giscard d'Estaing for transforming France into a "Germano-American protectorate."

The statements, in a front-page editorial in the party paper, l'Humanité, were the latest in a crescendo of comments rebuffing Schmidt's campaign against West European Communists, but also assailing foreign leaders who either criticize France or praise its government.

The French Communists said that Mr. Schmidt was "insolently trying to be the godfather of Europe." But their main fire was directed against Mr. Giscard d'Estaing and Prime Minister Jacques Chirac for their lack of "national reflex" in voicing only late and "diplomatic" complaints against the German and U.S. leaders.

Communist Opposition
Mr. Schmidt said last month that Social Democratic governments, like the one in West Germany, have managed to solve problems and thus have only to confront, but ultraconservative regimes like Portugal before the revolution, Spain, Italy and "to some extent France" have to face strong Communist opposition.

Mr. Chirac called Mr. Schmidt's remarks "thoughtless." Mr. Giscard d'Estaing let it be known that he firmly disapproved of political leaders making public critiques of other countries' affairs. Taking his cue from Mr. Giscard d'Estaing, Mr. Kissinger said after the two met Friday that "we agreed that domestic decisions of other countries are for those countries to take."

Instead of repeating his previous statements on which he thought of Communists coming to power in France or Italy, Mr. Kissinger said that he wouldn't presume to comment on other countries' policies.

The Communists said that Mr. Kissinger offended France's "national dignity." But they paid tribute to the American Revolution's contribution to the "ideas of liberty and progress," which they said were those of the 1789 French Revolution.

The party also made a rare note of the U.S. "sacrifice" against fascism in World War II, and said that "in the face of the dominating will of American imperialism," French Communists were "struggling for real links of friendship and cooperation with the U.S."

UN Panel Warns Water Shortage Looms in Europe

GENEVA, May 9 (Reuters).—Five European countries do not have enough water and seven more will run short by the end of the century, the UN Economic Commission for Europe has said.

But there is still enough water in Europe to meet overall demands for the next 25 years at least, a study prepared by the EC secretariat in Geneva said.

"The amount of usable water has actually been reduced in some countries by the effects of pollution," the EC reported. Cyprus, East Germany, Hungary, Malta and the Ukraine were already short of water. Belgium, Bulgaria, Luxembourg, Poland, Portugal, Romania and Turkey expected to have shortages by the year 2000, the EC said.

But the report said Britain—now suffering from its worst drought in 200 years—has enough water to meet current and future needs.



THE EYES HAVE IT—Two-year-old tot staring fascinatedly at roly-eyed clown blowing up balloons for children at a school art festival in Clifton Park, N.Y.

Study in U.S. on Coalition Concludes

Reds Called No Threat to Italy's NATO Role

By Wolfgang Saxon

NEW YORK, May 9 (NYT).—An analysis of recent events and emerging trends in world affairs, issued this weekend by Columbia University's Research Institute on International Change, concluded that Communist participation in an Italian coalition government would pose no immediate threat to private capital or to Italy's membership in NATO.

The study, "Global Political Assessment, October 1975-March 1976," noted the public commitment of the Italian Communist party to pluralist democracy, European economic integration and political independence from Moscow. As members of the government, the Communists probably "would strive to reassert capital" by resisting calls for nationalization, the authors said.

In their view, the party would also adhere to its statements that Italy should remain in NATO, until both the alliance and the Soviet-sponsored Warsaw Pact are dissolved.

Soviet Expansion

At the same time, the study said a coalition of left-wing Christian Democrats, Socialists, Republicans and Communists in Rome could touch off a rightist reaction with unpredictable consequences. It also said that such a government would make acute the question of whether NATO is an alliance to check Soviet expansion "or is it also an ideological anti-Communist coalition."

In the authors' view, recent U.S. statements seemed to imply the discussion of the Italian situation was part of a 34-page summary prepared by Prof. Zbigniew Brzezinski, director of the Institute, and William Overholt, editor, from contributions by 18 experts on international affairs.

The study found that Soviet successes, such as in Angola, derived mainly from Western defaults and were offset by setbacks that Moscow suffered in Egypt and Portugal. It also concluded that U.S. disillusionment with détente and the talks on the limitation of strategic arms stemmed largely from punched

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illusions rather than any real changes in Soviet attitudes.

'Global Leadership'

The "weakness of U.S. global leadership" aroused concern abroad, the study said, citing Secretary of State Henry Kissinger's "loud rhetoric and practical inaction in Angola," the "abrasive U.S. speeches" and subsequent resignation of former UN Ambassador Patrick Moynihan, President Ford's "sudden decision to bury the word 'détente,'" and the "paralyzing policy disputes between President and Congress, notably over Angola and Turkish bases."

In their discussion of Western Europe, the authors held that the move toward European integration had stalled but that the emergence of stronger Communist parties in some countries had given rise to "a truly European" movement among Social Demo-

crats. And, they concluded, "the idea of European unity remains strong and resilient."

Naples Mayor Quits

NAPLES, Italy, May 9 (Reuters).—The Communist mayor of Naples and his minority leftist City Council resigned yesterday after losing a vote of confidence to an alliance of Christian Democrats and neo-Fascists.

The governing coalition of Communists and Socialists, which took power last September, commanded only 33 votes on the 80-member City Council.

It had survived because the Christian Democrats refused to vote the same way as the neo-Fascist Italian Social Movement (MSI). But yesterday, the MSI backed the Christian Democrats, who called for the vote of no-confidence, causing the defeat. The leftist council and Mayor Maurizio Valenzi immediately resigned.

Agneili Not to Run
TURIN, Italy, May 9 (UPI).—Flat president Gianni Agneili has decided not to run in the June 30 parliamentary elections, his spokesman said yesterday.

"He has been urged from several sides to run as an independent candidate and, after thinking it over at length, he decided negatively," spokesman Sandro Doglio said.

Both Premier Aldo Moro's Christian Democrats and the center-left Republican party had offered Mr. Agneili spots on their tickets.

On Mountain in Nepal
KATMANDU, Nepal, May 9 (Reuters).—Two French mountaineers have died in an attempt to climb the 23,600-foot Gaurja Himal, the expedition leader said here today.

Miss Christine Ertlen, 23, of Mulhouse, the only woman in the French team, died Friday from injuries received in a 600-foot fall two days earlier, said her brother, Philippe Ertlen.

Another climber, François Solenne, 35, of Paris, was killed in the same accident.

French Communists Pursue
Gaullist and Catholic Voters
PARIS, May 9 (NYT).—The French Communist party is accelerating its efforts to gain political support among millions of persons who have been traditionally anti-Communist for political or religious reasons.

The campaign, following the decisions approved at the party's 22d congress here in February, is being stimulated by the party leader, Georges Marchais, despite some opposition within the party.

The opposition—mostly old-line Communist intellectuals—feels that the new campaign could push the party to the right.

Mr. Marchais is directing the party's specific new action at Gaullist party voters and practicing Roman Catholics, two broad groups that do not necessarily overlap in the French political spectrum.

Municipal Elections
He has made it no secret that his objective is to gain votes for the left, particularly his own party, in next spring's municipal elections and in the 1978 parliamentary elections.

Since 1947, when the Communists were last in a French government, the party has obtained a steady 20 per cent of the electorate. The Socialist party, now the partner in the left opposition, has a following of about 30 per cent.

In the last two weeks, the Communists have indicated that they are re-evaluating their steadfast opposition to France's strategic nuclear strike force. This re-evaluation was confirmed by Mr. Marchais in a television interview last week.

He said his party was reviewing all the elements of France's defense structure and promised to say more on the subject "when the time comes."

Diplomatic analysts pointed out that Mr. Marchais, who is fond of quoting the Communist-Socialist joint electoral platform, did not mention that the platform bluntly demands renunciation of the nuclear force and the immediate conversion of the nuclear arms industry to peaceful nuclear purposes. In the television interview, Mr. Marchais declined to comment on what his party, or the leftist coalition, would do with French submarines now capable of launching nuclear missiles. The Communists' apparent shift is being widely inter-

Elections Due in September

Swedish Socialists Suffer Popularity Decline in Poll

STOCKHOLM, May 9 (AP).

—With parliamentary elections due in September, Premier Olof Palme's Social Democrats are facing their worst drop in popularity since they came to power 43 years ago, an opinion poll published today showed.

In its monthly survey, the Swedish Institute for Opinion Polls (SIPO) reported that 35.5 per cent of the voters polled in April said they would vote for the Social Democrats if the election were held then, a 4-per-cent decline compared with March.

The Social Democrats have never fallen below 40 per cent of the vote in any election since 1938 and drew 43.8 per cent in the 1973 general elections, a 17-per-cent drop from the preceding elections.

The government rules with the parliamentary support of the small Communist party. The SIPO poll showed weakened support among the electorate for this regime, giving the Social Democrats and the Communists a total of 43 per cent against 54 for the nonleftist opposition parties—Liberals, Centre and Conservatives.

Observers were surprised at the sudden drop for the Social Democrats and pointed out that a 4-per-cent decline probably has not occurred in the usually stable Swedish electorate for several decades. Such a slip would even be regarded as remarkable over the three-year period between general elections, they said.

The latest poll was taken April 1-7 and 22-26, during which tax laws came under strong attack and film director Ingmar Bergman left Sweden to protest alleged persecution by the tax authorities. Mr. Bergman, however, later stressed that his leaving the country was not a political action and he is still a member of the Social Democratic party.

"The vehement campaigns of the latest months have surely hurt us," Mr. Palme said in an interview in the labor-owned Stockholm daily Aftonbladet.

"They have also blocked discussion of those factual issues we feel are important. That has hurt us, too," he said.

"The conclusion is that we... will be determined in pushing the factual content of the policy we have established in the fields of employment, taxes, working conditions, the environment, etc."

Most experts here regard the SIPO polls as relatively accurate. The organization's last poll before the 1973 elections came within 1.1 per cent of the actual results for any party.

Athens Charges
Other Driver in
Panagoulis Crash
ATHENS, May 9 (Reuters).—A 31-year-old shop owner was charged yesterday with the homicide by negligence of liberal politician Alexandros Panagoulis.

Mr. Panagoulis, 37, who became an anti-fascist resistance hero when he tried to assassinate dictator George Papadopoulos in 1968, died in a car crash on May 1.

Michael Stiefas stepped forward two days after the crash and said he was involved in the accident. He said that Mr. Panagoulis's car skidded on the wet road, hit his own car and smashed against a wall.

Mr. Stiefas has been released pending his trial, a police spokesman said.

Athens chief public prosecutor Spyridon Kaniaris charged Mr. Stiefas with violating traffic regulations, such as abandoning his victim and using false license plates, a judiciary spokesman said.

The charges indicate that the prosecution, for the time being, has ruled out the theory of the Panagoulis family and opposition political parties that Mr. Panagoulis was the victim of a plot.

Three Are Acquitted
Of Thefts at Vatican
VATICAN CITY, May 9 (UPI).—A Vatican court has acquitted three former telephone technicians because their alleged theft of papal medals from the Vatican Secretariat of State before 1970 came under the statute of limitations.

The same three men were given prison sentences of up to three years in 1974 on charges of stealing gold medals and other precious objects from Pope Paul VI's apartment in 1968 and 1969, while the Pontiff was at his summer residence in Castel Gandolfo.

Bonn Embassy in Hanoi
BONN, May 9 (AP).—West Germany has moved its Vietnam Embassy from Saigon to Hanoi, the Bonn Foreign Ministry disclosed.

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Advantage Lost

Ford's Incumbency Seems Squandered

By James M. Naughton

WASHINGTON (NYT)—The central asset of President Ford's candidacy, his White House incumbency, appears to have been neutralized and perhaps ravaged by four successive losses to Ronald Reagan in Republican primaries.

"He's literally squandered an immense advantage," a distraught Ford campaign official said last week.

Mr. Ford's election prospects, as a non-elected President, have always rested heavily on his ability to establish himself as a credibly strong national leader, as a candidate of "presidential" stature.

But in falling behind Mr. Reagan in the count of committed convention delegates and in allowing the Republican contest to center on Mr. Reagan's issues, Mr. Ford has, in the troubled view of his strategists, become less a President seeking a Republican mandate than another Republican seeking the presidency.

"He is still the President," an aide said. "He still has the trappings. He still has the office. He still has the power to use the office—which he hasn't been doing. He has got to get off the same level as Reagan."

Mr. Ford has lost five primaries. In the last four contests, in Texas, Indiana, Georgia and Alabama, he gained only nine convention delegates to Mr. Reagan's 210.

"The President and his campaign have not, apparently, adequately explained and gotten across the accomplishments of this presidency," Ron Nessen, the White House spokesman, said in evident understatement.

Mr. Ford said that his record was good and he vowed to "do a better job of selling it" but he gave the impression to reporters in the White House Rose Garden last week that he was not sure how to go about it.

The President has asked Rogers Morton, the campaign chairman, to re-examine his strategy and tactics—everything from where Mr. Ford should go to what he should say—to seek some means of energizing apathetic Republican moderates to stir themselves to vote for him in the remaining primaries.

Behind the reassessment was a belated recognition that Mr. Ford's last major policy pronouncement was his State of the Union message in January and that, rather than using his office to display leadership initiative, he had become ever more deeply enmeshed in a competition with Mr. Reagan for the soul of the Republican right wing.

"We're never, never going to get those crazies back with us," a Ford associate said of the conservative zealots. "They're going to march down the street with Reagan singing 'Battle Hymn of the Republic.' We've got to motivate our people to get out and vote."

The President's tactical problems and some possible remedies were quickly identified by his agents at the President Ford Committee as follows:

Turgid Style

The six to 10 speeches Mr. Ford gives on an average campaign day have ranged, unfocused, across as many topics and have been delivered in a turgid style that even the President's son Jack criticized in a long conversation with Mr. Ford recently.

Don Penn, a New York producer of television commercials, has been coaching the President on speech delivery, trying, as Mr. Penn put it, to get him to come across less like Gary Cooper. Mr. Ford's writers will also try to develop a basic, crisply worded stump speech which, by repetition, the President will use to press his contention that he represents peace, prosperity and White House integrity.

Ever since he experimented, to apparent good effect, with a question-and-answer format last February in New Hampshire, Mr. Ford has given most of his audiences 20 minutes or more to interrogate him. Lately, these sessions have become occasions for Mr. Reagan's adherents to challenge the President to defend Secretary of State Henry Kissinger, the Panama Canal negotiations and the Pentagon budget, putting Mr. Ford almost constantly on the defensive. There are likely to be fewer question formats in the future.

Despite declarations early this year that he would campaign largely on weekends because he was busy being President, Mr. Ford has become virtually a full-time candidate. He spent six days in Texas and won no delegates there. The real value of incumbency, some of his aides suggest, is not the ability to parcel out federal grants and promises to primary states but the capacity to dominate the news by governing in the Oval Office.

The aides want Mr. Ford to do less traveling and more governing.

Strategic Problem

Whatever the effect of such tactical changes, however, there remained the more urgent strategic problem of how Mr. Ford could try to prevent Mr. Reagan's

recent successes from snowballing. The President has never seemed to know how to deal with his rival. For weeks he alternately criticized Mr. Reagan as "irresponsible," "glib" and "simplistic" on national security matters and said that he might consider the Californian as a running mate.

The ambivalence toward Mr. Reagan may have occurred because, as Mr. Penn said last week, the President "is a gentle guy, he doesn't like to king anybody." But it also reflected Mr. Ford's concern lest he antagonize Mr. Reagan's followers and lose their support in November.

For the first time since the opening primaries, there were White House and political aides working privately, however, if Mr. Ford would survive the Reagan challenge. Obviously, the only method a presidential strategist could suggest for overcoming Mr. Reagan's surge was to abandon the right wing and portray Mr. Reagan as a dangerous reactionary.

President's Backers In Michigan Worried

TRAVERSE CITY, Mich. (NYT)—The heavyweights of Michigan Republicanism gathered here last week for "Bill's beefsteak"—a \$150 event honoring Gov. William Milliken. But their minds were not on revelry.

While they danced, drank and ate, they fretted about the perilous situation of their local-boy-made-good, Gerald Ford, and about how they could prevent crossover votes by Democrats and independents in the Republican primary from wounding him as severely in Michigan as they did in Texas and Indiana.

The potential for crossover voting is just appalling," said Mrs. Margaret Ruecker, the state's Republican National Committee woman.

"Everyone's worried," Gov. Milliken said. "I am, too. But the important thing now is not to overreact. The President should stress economic recovery in this state."

"The President will make a maximum effort to solve things here," said Sen. Robert Griffin. "I don't think there's any point

in trying to prevent crossover. He'll have to try to persuade them to vote for him."

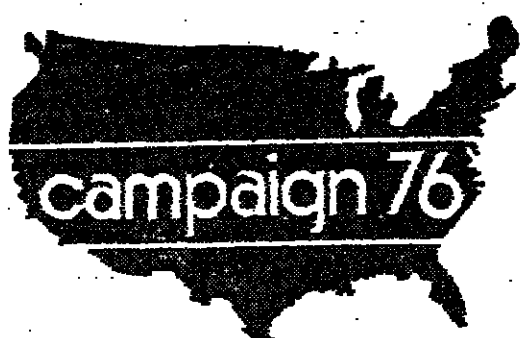
"At least the complacency is over," said State Sen. Robert Davis.

Nobody was as agitated as William McLaughlin, the state Republican chairman, who is a zealous Ford backer. He put out a statement contending that Ronald Reagan's courtship of the former backers of Gov. George Wallace of Alabama "threatens the destruction of the Republican party."

"I am completely shocked," Mr.



A pensive President Ford after primary losses last week.



McLaughlin added, "at Governor Reagan's blatant appeal for Democrats to give him the presidential nomination of the Republican party. This tactic makes a mockery of our party's nominating process."

The sharpness of the party chairman's language, together with similar comments during a three-city Michigan swing last week by Mr. Ford's campaign manager, reflected fear among many of the President's allies that he could be embarrassed or conceivably beaten in the state's primary on May 18 as a result of a massive crossover.

Following Mr. McLaughlin's death, the special police found a number of hideouts of a leftist organization he was supposed to have financed. In many instances, the red flags and other paraphernalia found in these hideouts were new.

It is not known if the McLaughlin incident figured in a plan to appease the right any more than it is known if Mr. Sogno's arrest is a ploy to mollify the

Pre-Election Timing Is Seen as the Key To Italian Arrest of War Hero Sogno

By Piero Sanavio

ROME (NYT)—Strange things happen in Italy before elections—last week, it was the arrest, after two years of investigations, of resistance hero Edgardo Sogno.

Mr. Sogno and his right-hand man, Luigi Cavallo, were charged with subversive activities against the republican institutions of the state, specifically with having tried to engineer a coup d'état in the summer of 1974 that was to have included the kidnapping of President Giovanni Leone and, reportedly, the assassination of former Premier Mariano Rumor.

Few in Italy doubt that Mr. Sogno and his friends were involved in a conspiracy against the state. But no one has advanced a theory of why it was called off, as Mr. Sogno says it was, or why the investigating magistrates took two years to order the anti-terrorist police to make the arrests.

On his arrival at the Queen of Heaven prison in Rome, where he was brought after his arrest in Milan, Mr. Sogno said, "I have nothing to say now. In a few days."

So far, he has kept his silence.

Two Days After

Political commentators merely observe that his arrest occurred two days—or rather two nights—after the announcement of June 20-21 as the date for the Italian parliamentary elections, which are to be held a year early.

And the observers say, extraordinary things happen in this country before elections. For instance, they note that before the 1972 elections, during indications that neo-Fascist groups had been involved in a 1969 Milan bank bombing in which 16 persons were killed, leftist publisher Giangiacomo Feltrinelli was mysteriously killed.

Following Mr. Feltrinelli's death, the special police found a number of hideouts of a leftist organization he was supposed to have financed. In many instances, the red flags and other paraphernalia found in these hideouts were new.

It is not known if the Feltrinelli incident figured in a plan to appease the right any more than it is known if Mr. Sogno's arrest is a ploy to mollify the



Edgardo Sogno is flanked by plainclothes policemen following his arrest last week.

more liberal potential supporters of the Christian Democrats, the party that has retained power since Italy became a republic 30 years ago.

'Too Simple'

"But," said an observer, "saying that the Christian Democrats have a specific political motivation for having Sogno arrested now is too simple. There are too many personal and inter-party alliances to make a flat statement. Nobody really knows what's what or who's who in a specific situation such as the arrest of Sogno and Cavallo."

Mr. Sogno has friends on all levels. Eight of these friends were questioned in addition to Mr. Sogno and Mr. Cavallo by magistrates investigating the 1974 plot. Among them were former Defense Minister Rinaldo Ossola, Gen. Ugo Riboldi and Vincenzo Pagnozzi.

Mr. Pagnozzi was quoted as saying about Judge Luciano Violante, the magistrate who ordered the arrests:

"This time it seems to me Judge

Violante, a known Communist, is overdoing things. This gives us an idea of what our justice would be if the Communists were in power."

As defense minister, Mr. Pagnozzi had dealings with NATO affairs, as did Gen. Riboldi. And Mr. Pagnozzi is reportedly a close friend of Manlio Brosio, a former secretary-general of NATO.

Mr. Sogno is a member of the rightist faction of the Liberal party, the party of Mr. Brosio and Mr. Pagnozzi.

Mr. Pagnozzi is a fierce anti-Communist, although he fought on the Republican side in the Spanish Civil War.

Mr. Sogno was born in Turin in 1915. An army cavalry officer, he fought in a monarchist resistance group during the Nazi occupation of Italy and was decorated in 1945. Also in 1945, reportedly through personal ties he had established in the resistance with the OSS, the forerunner of the CIA, he was appointed editor of a Milan newspaper, *Giornale Lombardo*.

At that time, although a monarchist, Mr. Sogno called

himself a "white anarchist" and his commitment to the cause led him to campaign for king in the 1946 referendum. Italians voted for a republic the king had to leave the country. Before he left, King Umberto IV made Mr. Sogno a count.

In 1948, Mr. Sogno was given a post in London. Afterward, he directed NATO's planning and policy groups. Later, he was the NATO Defense Office Paris.

He returned to Italy when Christian Democracy, the party of the Interior Minister, asked him to start an anti-Communist campaign that observers say was in effect the late U.S. Sen. McCarthy's activities.

Mr. Sogno found Peace and Freedom. According to Mr. Sogno's enemies, the Peace and Freedom organization is secret files of OVRA—Munich intelligence agency—attacks on labor union and leaders.

In the 1960s, Mr. Sogno was back in the diplomatic service in Washington, then Rome, returned to Italy in 1970 to campaign for a new, presidential constitution. He claims that he favors a C-type republic, but not Sogno's system, the

would have all the powers. In 1971, 72, Mr. Sogno, the Democratic Resistance, which have the pathos of rightists, is some say, some neo-Fascists. It was about that that he joined Mr. Liberal party.

According to some Italian papers, the Italian secret 'SID' may be behind Mr. Sogno's case now. In the past, he has been having granted protest rights who were the have been involved in activities.

Last month, two SID Capt. Antonio La Ferla, Gen. Giandomenico Maresca, had been providing passports and having a number of neo-Fascists in the 1969 Milan bombing case.

After three weeks in La Bruna and Gen. Maresca released. The charges, however, were not yet "many think, 'not yet.'"

Changes in Spain Are Seeping Into the Village Level

By Mary Pearson Kennedy

COIN, Spain (NYT)—For the first time in more than 40 years, the people of this village gathered together last month for a huge public demonstration in front of their city hall.

The only police in evidence were a few traffic cops, whose primary job turned out to be chasing three enormous hogs that escaped into the crowd from a parked truck while their driver took part in the demonstration.

The orderly but enthusiastic crowd of more than 2,000 talked of democracy and turned out to show their solidarity with their new mayor, Miguel Presencio Delgado, 46, whose supporters claim he has done more for Coin, located 40 kilometers north of Malaga, in his seven months in office than his predecessor had done in eight years.

The Town Council does not feel the same way about him. Nor do the employees at City Hall, nor do the local slaughterhouse, nor do some of the local police.

The discord over the new mayor stems from the daily evidence that he is more concerned for the welfare of the villagers than he is for the "crowd at City Hall." This is not the way mayors have conducted affairs in Coin for the last 38 years.

Loosening Grip

But a Coin lawyer, who asked not to be named, put it this way: "Manuel Fraga Iribarne, the minister of interior, speaks of the changes that are gradually taking place in Spain, and the most important of these changes must take place in villages like this one. These mayors and their councils have had Coin by the neck for years and they can't believe their grip is loosening. An old woman at the demonstration next to me had tears in her eyes and a young man in front of her said, 'This is a beginning, a beginning of democracy.'"

"He's made lots of promises, anyone can do that, but he hasn't really done anything," said Antonio Colorado, a council member and owner of an automobile agency, in speaking of Mayor Presencio. "However, I am neither for nor against him. I just want to wait and see."

Other council members refused to make statements when they saw the extensive publicity in the Malaga newspapers and the protest that met their decision to back two other representatives for the Central Council in the provincial capital, Malaga, when for generations one of the representatives had always been the mayor.

"They want him out of here,

make no mistake about that," said Jose Gamboa, a soft-drink and wine distributor who is for the new mayor. "That City Hall has been thinking of nothing but their own interests for years."

The crowd was a cross section of Coin, which has a population of 21,000—workers, small-business men, farmers, teachers, lawyers, housewives and students. Most of the lawyers and all of the big-business men in Coin who have run the village on their own terms for years were not there. But many of their sons and daughters were, like the son of the local bank manager who carried the green and white flag of Andalusia. There were banners claiming solidarity of various local groups and one that simply declared, "Viva los condes de Miguel." (Liberalized translated: "Long live the guts of Miguel.")

Student Movement

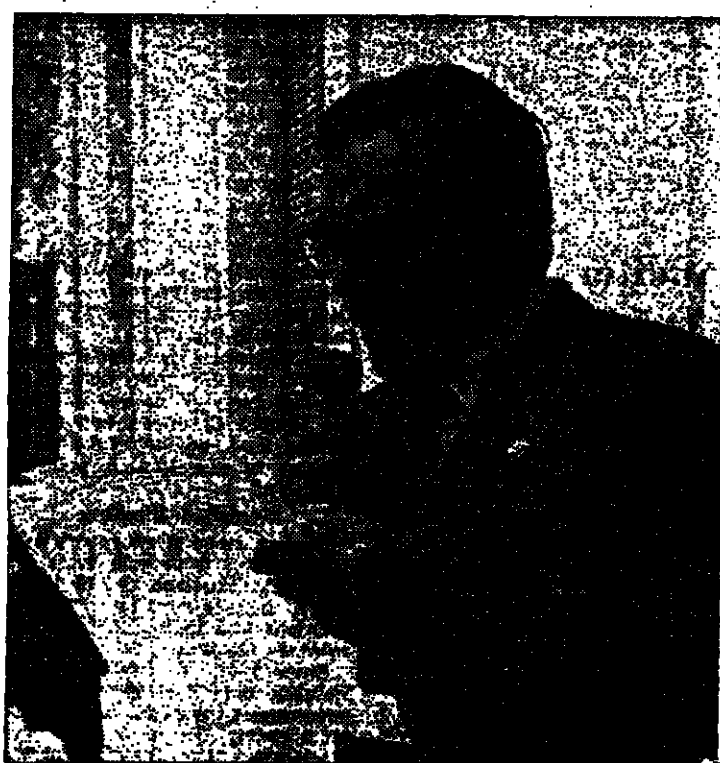
The movement for this demonstration started about six weeks ago when a small group of high school students learned of the Town Council's decision not to send their mayor to the Council of Delegates in Malaga. At first they met secretly, but it snowballed almost overnight.

"Persons stopped me on the street to find out about joining us," said Ignacio, one of the student leaders, "until we broke into two groups... the student group and the older persons, which turned out to be much bigger than our group."

"The mayor is like a breath of fresh air," said Ana Mari Sanchez, an Agricultural Department employee. "He tells people if they have problems to come and see him, he doesn't promise to solve them, but he tries. At first, people held back because the general opinion is that any conversation with a village official is bound to be confusing and difficult. If the mayor has to sign a paper for you it could take months. First you would try to make an appointment, which could have taken a week, as he was rarely there, then you finally talked to a secretary who told you to go somewhere else where you discovered you had to go to Malaga first."

The Right People

"Finally getting back from Malaga with your signature, you found you still had to have the mayor's stamp on it. Back you went to the mayor's office only to sit for two or three hours every day and eventually you might get the paper to him where it would sit for weeks on his desk before he signed it. If you tipped the right people you might get it easier."



Mayor Miguel Presencio Delgado during address at Coin.

The new mayor, who is paid an honorarium of 4,500 pesetas (800 cents) a month, is available for business in his office every week day. When he took over the office, he announced that he wanted all employees at their desks at 9 a.m. and if they went for a coffee break they were to leave someone to cover their desk so people would not be kept waiting. The morning after this order he showed up at 9, and he was the only one there. Under the threat of losing their jobs, City Hall employees now show up, grudgingly.

"It depressed me," said the mayor, "to see some of the older people of the village, many of whom can't read and write, come in and be frightened and ordered about by City Hall employees."

One of his first official acts was to get rid of the city architect. "I wouldn't say I fired him, but I suggested we would not be happy working together. I don't like what he has done in Coin," he said, waving his hand toward the village square, which has two huge apartment buildings going up.

"Those buildings were authorized for four floors but he allowed them to be put up seven stories and this is happening all over the village. A lot of things weren't right, but the past is past. I am interested in the future."

One of the biggest construction

companies in the village is reportedly owned by the previous mayor.

Mayor Presencio is noted as an early riser. The slaughterhouse employees were stunned to find him waiting for them at 7:30 a.m. when they showed up for a work day that was supposed to start at 5 a.m. He also woke up two night-duty policemen at 4 a.m., suggesting they patrol the streets.

A farmer, who was afraid to have his name used, explained how things worked for him. The government issues insurance to farmers to cover their losses if an animal is diseased and the village cannot buy it for meat. The payment is supposed to be within two weeks of the animal's death but all last summer and fall, the farmer tried to collect his money from City Hall until a friend advised him he would have to tip a certain employee about \$8, which he did and received payment a week later. Under the new mayor, his son-in-law collected in 10 days without a tip.

The day of the demonstration, a car with loudspeakers went through the streets urging citizens to attend it. By 12:45, the plaza was full and the crowd chanted, "We want Miguel." Pepe Luis Peña, a truck driver, came out on the balcony of City Hall and with trembling hands read a statement that demanded the

right of the people to have a voice in their government and condemning the council for trying to get rid of the first mayor who had ever taken an interest in the workers of the village.

"The people of this village are degraded because there is no work here. We have no cultural centers, no libraries that are worth calling libraries, nothing for the young and on top of it all, we are further degraded every time we go near a public servant by his attitude of complete disdain," he said.

The crowd applauded wildly and called for the mayor, who spoke briefly, outlining his plans for the village, beginning with the schoolrooms worse than Arab dungeons (he reminded the crowd he had no children of his own and could not be accused of furthering his own ends) and promised more schools, a cultural center and a sports area. He promised to work on the unemployment situation, which is critical in the province of Malaga; he promised improved farmers' markets and better agricultural services; he said that the villagers would have a voice in their government and that the streets would all be paved. He promised better lighting on the streets, which brought loud cheers from 50 girls employed in the two local factories that manufacture trousers, Coin's only industry.

And he ended by telling those who were not natives of Coin to go and see him with their problems, that for him they were just one more "Coinero" and should not consider themselves outside the life of the village.

Registered Foreigners

There are 63 registered foreigners living in Coin, most of them in two housing projects, one of which has not had proper water in 10 years, in spite of the fact that it paid the village an exorbitant price for water rights.

The new mayor is a portly, slightly balding man who owns a feed-supply center and has lived in Coin all his life. The only son in a family of five, his father was on Franco's side during the war and was imprisoned by the Loyalists when they took Coin, but his son, who was 7 at the time, remembers little. His only experience in politics was 14 years ago when he was asked to be vice-mayor.

The mayors in Spain are appointed by the governor of the province. "The town council was stunned by my appointment, for they were sure it would be one of them; I can assure you I was, too. But since I am here I want to do the best I can. I want to

see a gradual change in Spain under Juan Carlos and I would like to help with this change. The demonstration, although I didn't want it at first, touched me very much. It is nice to know when I am in a council meeting that out there in the streets there are a lot of people behind me."

"The important thing for the village now is to try to fill the six seats on the council that come up for election in November with candidates who like the mayor and believe in what he is trying to do," said Juan Miguel, a student organizer, as he came out of the first open council meeting that the town has had in years.

Independently Wealthy

"Miguel has always been an independently wealthy man," explained Andres, a local photographer. "And that's precisely what we need, a mayor that can't be bought. We've had too many hungry mayors. You just can't imagine what a fair and honest person he is."

But not everyone in the village is enthusiastic. "They are all the same to me," said a man in the post office. "None of them changes my life."

"He can't possibly do all he promises," said Juan Santos, a retired farmer. "I'm going to wait before clapping my hands."

Recently, the annual spring festival and animal fair of Coin opened and for the first time in its history the mayor turned over its operation to the young people of the community amid much grumbling from some of the elders.

A traditional part of fairs in Spain is the *casete*, or pavilion that is temporarily built for dancing and entertainment. In Coin, in the past, officials, their families, and friends usually entered without paying, but for the rest the charge was between \$2.50 and \$5 per person, a sum that many cannot afford.

The result was a kind of private party for City Hall, a handful of foreigners and a few villagers. The rest listened to the music from outside and peered in the windows. This year, the entrance fee is 75 cents each and everyone has to pay.

"It will be a disaster," said a middle-aged villager. "If everyone is allowed in, there won't be room to dance, it will be terrible. I doubt if I shall allow my family to go."

Juan Miguel, one of the student organizers, laughed and shook his head. "Ah, the caciques [political bosses] of Andalusia, may their days be numbered! The time has come to open doors in Coin to everyone."

Respected Thinkers

William F. BUCKLEY, Jr.
George F. WILL
EVANS & NOVAK

Victor ZORZA
James RESTON
Anthony LEWIS

CL. SULZBERGER
Joseph KRAFT

in the International Herald Trib.

Ask for it every day Everywhere you go

July 1976

FOCUS ON SWITZERLAND

In a Time of Mounting Economic Recovery, Strains Begin To Appear as Threats to the Traditional Political Stability

ns Seen by Middle of Year er Worst Slump Since 30s

(GERT).—Switzerland appears to be poised for. After the sharpest since the slump of the s economy is likely to moderate and selective by midyear. Declines in orders seem to have bot- in several industries, one there are signs of a of order volumes. In- finished goods, which very high during last v since been gradually n, and current produc- already be on the up- unemployment figures erland, which in February 32,000 or 1.1 per cent of ve population, showed a decline in March, much nprise of the forecasters. of the decline can be by seasonal factors and the second quarter, which confirm the trend, there grounds for "cautious n"—a very Swiss way of at things. e as it may seem in view current high value of the anc on foreign exchange the recovery when it likely to be export led. demand would seem to on the decline, although per rate than during the tly high rate. The ighly liquid condition of s money and capital mar- the easy money policy of ss National Bank will re recovery that much when it comes. But ne real gross national declined by about 7 per year and, in the best of ances, is not expected to such more than s for this year, the easy policy, and particularly of increasing the mon- by 6 per cent carries considerable danger of ed outburst of inflation. sion is not whether, but nd how, the authorities ted in with measures to

One of the features of the Swiss recession has been a sharp decline in households' spending. Whereas in previous recessions private consumption in real terms continued to rise, last year it is estimated to have declined by about 2.5 per cent due largely to a fall in real disposable income, and to the departure of foreign labor. Many non-Swiss workers have experienced a sharp and steep downturn (off by as much as 25 per cent) in building and civil engineering. At the same time, industrial production declined considerably (as much as 18 per cent over the year) in all branches of industry with the exception of electricity and gas production. While the downturn, influenced by the appreciation of the Swiss franc, was particularly felt in watchmaking, the textile, chemical, paper and building-related industries were

The service activities, in general, seem to have been less affected by the recession. In particular, banks performed well and tourism held up reasonably.

All told, the OECD in its annual economic survey finds that, when compared with countries of similar size and structures, Switzerland has been the most heavily affected by the recession. Both the GNP and industrial output fell most steeply while the downturn in gross fixed asset formation was not only sharper than elsewhere but its impact on economic activity was more pronounced since this demand component was such a high proportion of GNP.

Total imports into Switzerland for the year as a whole declined by 17.3 per cent in real terms, with particularly sharp drops in raw materials and semi-finished goods, reflecting the general downturn of business activity and tendency on the part of enterprises to run down their existing stocks.

Exports Off

Excess Liquidity

Excess Inflation

is, the March figures es-
timate an inflation rate of 2.5
percent—by far the lowest for
any industrial country. This
strikingly illustrates essentially
how the reduction in
the price of Swiss imports result-
ing from the appreciation of the
franc, and the emergence
of a more elastic
policy, implying the
movement of automatic cost-
adjustments. In effect,
the Swiss have recognized
the importance of
safeguarding of as many
possible jobs as they
can. Few new demands
are being created. There were
10,000 fewer jobs in the
country by the end of 1975 but
100,000 registered unemploy-
ment. This situation has been con-
sidered as a cause for concern
by both the
government and the employers by the
unions. However, the
unions have not
demanded any great
of mutual understanding,
distributed to the main-
taining of social peace. The Swiss
government has been
very active in
work situation in
the months has boiled down
to more than May Day

Exports were off by 2.2 per cent in real terms, although there were considerable differences between the performances of raw materials, consumer goods and capital goods. Exports of durable goods resilience and decreased only about 3 per cent. Sales were down in most markets, with the exception of Eastern Europe and the oil-producing countries. Only because of the much sharper decline in imports, the overall Swiss trade deficit reached 4.55 billion Swiss francs in 1974 (3.38 billion Swiss francs last year).

The performance of the government in these difficult times has been clearly counter-cyclical: the authorities provided appreciable support to economic activity last year and increased expenditure by the Confederation, the cantons and the communes was set at around 5.5 per cent in real terms for 1975 with a overall deficit on the general government account budgeted at 2 billion Swiss francs and additional programs destined to increase the total value at around 1 billion Swiss francs. These latter are being carried over to cover the whole of 1976, while regular expenditure on the confederation account is budgeted to increase by 12.3 per cent in nominal terms. Revenue is expected to rise by about the same amount as a result of tax increases approved by the electorate

The trend toward a greater government role in the economy.
(Continued on Page 8, Col. 2)

This Section

This supplement was prepared by David Egli, a longtime correspondent in Switzerland.

The Swiss franc had a value of 2.4775 to the dollar as of Friday.

Sharp Decline



The 'Landsgemeinde,' an open-air assembly of citizens.

The Advantages of a Strict Neutrality

By David Egli

BERN (DIT).—Although the cornerstone of Switzerland's foreign relations is the concept of permanent neutrality, Switzerland's position in the world community cannot simply be assimilated with that of other European "neutrals."

would have tended to accentuate the divisive forces which, despite a long history of coexistence, can still be felt among the various regions of the country.

Foreign Minister Speaks

As a citizen of the German-speaking Basel-region half can-

ton, as well as the French-speaking canton of Neuchâtel. Pierre Graber, the Swiss Foreign Minister and last year's President of the Confederation, was educated at the universities of Neuchâtel and Vienna. He is a former chairman of the Socialist group in the Swiss parliament.

With this background Mr.

Graber is surely more aware than most of the potential domestic dangers of adventures in foreign policy. This awareness is important, since it may ultimately fall on him to lead the Swiss into the United Nations after some 30 years of hesitation as to the implications of membership in this now near-universal body.

Q—What are your foreign-policy objectives? **A** satisfactory commercial climate or a projection of the humanitarian image of Switzerland?

Mr. Graber—The first and foremost objective of our foreign policy is the preservation of our national independence, with, as second, the prosperity of our country and our people. We are well aware of the fact that these objectives can best be achieved in a climate of peace, the rule of law and international cooperation. This awareness is reflected in our foreign policy in that its traditional maxim of neutrality has been expanded by those of solidarity and availability for cooperation.

We maintain an expansive policy of global exchange, and we hold that this can, and indeed should be, in the best interest of all. At the same time we support all activities of the international community, in particular those in aid of its poorest and weakest members. We have always made use of our position of neutrality in order to do whatever was in our power in the field of humanitarian assistance, and we shall continue to do so.

Q—To many, the Swiss flag appears to follow the tradesman
(Continued on Page 8, Col. 2)

Burgeoning Malaise Is Noted In Nation's 4 Linguistic Areas

By David Egli
observance, Switzerland

BERLIN (H.A.)—To many observers Switzerland must appear as one of the last bastions of bourgeois capitalism. What is not immediately clear is whether this is by force of habit or conscious choice on the part of its citizens.

but if the system is loaded in favor of the rich, if the helm of the ship of state appears to be indirectly in the hands of big business and banking, if respect for individual liberties appears to have limits enshrined not in law but in practice, if reform is painfully slow, no one is more to blame than the "sovereign," as the electorate is commonly and rightly referred to by the government.

political system is so overlaid with checks and balances that it could only have been devised by a nation that had no desire to be governed at all. And yet the distribution of political power on communal, cantonal and confederal levels, the existence of a well-nigh permanent coalition government spelling a lack of effective opposition, the amateur status of parliamentarians, the strength of recognized lobbying forces in the federal capital, the hallowed institutions of the popular referendum on legislation approved by parliament, and the initiative permitting small minorities to force the country to vote on constitutional amendments which they themselves propose: all these elements add up not to anarchy but to remarkable political stability.

Consensus

It is as if government by consensus had been honed to this point at which, on the pretext of the common interest, it was no longer adequately responsive to the hopes and aspirations of the men and women who live under it, regime. The Swiss system, on paper, contains all the necessary elements of vitality and energy. Perhaps the system's establishment is stolid and middle-aged in its approach, and patently incapable of renewing itself, despite regular elections, ed cantons, Bern. Zurich and Vaud, provide one minister, and that with regard to the four others an adequate national spread must be respected. While in theory this safeguards the diverse interests of different regions, in practice it seems to apportion minority in the seven "service men" to their seats in office as a result of an accidental combination of place of birth and party allegiance; others, perhaps better qualified, are effectively held on the sidelines.

It takes up to 15 years for most reforms to pass through the various stages of introspection, concertation and legislation. By the time they are put to the vote the spirit of reform may have evaporated or original issues faded away. This makes for cynicism but not for contentment. And it is small wonder that a growing malaise can be felt in all four linguistic areas of the country, particularly a sense of indifference verging on alienation among young people.

Subdued Criticism

Subdued Criticism

As the arm of the federal government stretches deeper into the daily lives of the people, the burden of business is also felt at the parliamentary level, and doubts are expressed at the continuing validity of a non-professional, "militia" parliamentary base. Criticism, albeit somewhat subdued, is reinforced by the, for some, uncomfortable thought that up to eighty per cent of all parliamentarians—who have families to feed—are concurrently board members in industry, banking and commerce. This fact alone adds up to a very potent behind-the-scenes influence on the daily af-

the federal parliament. Each of these parties has two ministers in the seven-man Cabinet (the Federal Council), while the only other significant lower house party, the agrarian Swiss People's party, holds the seventh.

Upper House

The liberal-conservative grip on government is further strengthened in the upper house, where the system of voting only two representatives for each canton, or one for each half-canton, favors

Apart from the long-standing Social Democrat call for reform of the upper house, other aspects of the Swiss system are the object of sporadic, and perhaps growing,



Rudolf Gnaegi,
President



Pierre Graber, Foreign Minister



The Tradition of Political Stability Begins to Undergo Some Str

(Continued From Page 7)
 hits the views of "interested parties," including banks, industry, commerce, political groupings, and local authorities.

Interested Parties

The problem is that the interests of "interested parties" are not necessarily those of the "sovereign," and with the feeling that the majority of parliamentarians pay inadequate attention to their mandates as representatives of the people, it is hardly surprising to see the extent of popular, though usually transient, support for such right-wing populists as James Schwarzenbach or left-wing Socialist gadflies such as Jean Ziegler. In their very different ways of needing the government, they provide at least a faint voice of opposition in the wilderness of consensus rule. They make political life in Switzerland a little more interesting than it usually is, and touch on a responsive nerve in an electorate which, despite its powers through direct democracy, appears to have been saddled with a new oligarchy replacing the early 19th-century patricians.

Perhaps the most persuasive element of conservative continuity is the very high standard of living enjoyed by the Swiss population. The work ethic, the absence of significant strikes for more than a generation as a result of the contractual "labor peace," neutrality in two world wars, the prudent management of the affairs of state, and a certain genius in industry, plus, of course, political stability, have all contributed to making Switzerland, on a per capita basis, the richest industrial country in the world, and one, apparently, bereft of a proletariat.

Period of Trial

But there can be no doubt that the Swiss system is going through a period of trial, both economically and politically.

Inflation, recession, growing unemployment for the first time in more than a generation, the fight to prevent the Swiss franc's depressing revaluation from knocking Switzerland out of its traditional markets, the need to replenish the coffers of the Confederation, the call for an efficient nationwide program for environmental protection, the growing significance of economic and financial policy, the need for

more equitable load-sharing between the various parts of the country: these issues imply a greater centralization of power.

The Outlook

In turn, this will mean a more responsive and streamlined system. The fights of Bern with the cantons, unwilling to give up even a small part of their prerogatives, may be followed by a revamping of the decision-making process in the capital. Change will be evolutionary, as a result of gradual compromise.

But the writing is on the wall.

Benefits of an Unbending Neutrality

(Continued From Page 7)

rather than the other way round. Isn't Swiss foreign policy too sensitive, and perhaps too subservient, to the interests of Swiss banks and big business?

A—As is the case with many of our European neighbors, our export trade and industry and our banks constitute a considerable part of our economy; in creating fruitful links with numerous other countries, they do not make any political and social distinctions. It is only natural, therefore, that the Swiss authorities watch over these interests with particular attention, especially since the jobs of many of our

people depend on them. But neither our government nor our people have given or will ever give precedence to these interests over our independence or our national honor.

Q—What importance do you attribute, with regard to the general image of Switzerland in the world, to the fact that Geneva is the seat not only of the Red Cross but also of a great number of specialized agencies of the United Nations?

A—It is of course profoundly gratifying to us that the names of Geneva and Switzerland have become linked in the eyes of the world with these noble and im-

portant institutions. Geneva's role as international city began with the Red Cross, and it was the reputation and the standing of the Red Cross that initially attracted to Switzerland other prestigious institutions devoted to cooperation among peoples. We have every intention to continue this tradition of hospitality towards international organizations.

Q—In present world conditions Swiss neutrality appears more and more as a facade. Isn't it, at best, merely an excuse for not taking sides, not making enemies?

A—Initially, our neutrality was a means to prevent serious controversies within our borders and thus to preserve our national unity. It obliges us to refrain from taking sides for or against any of the parties to an armed conflict. Since ours is a permanent neutrality, it is our policy already in peacetime to stay out of conflicts and especially not to join alliances. Our policy of neutrality is applied strictly. It is not a facade but a living reality and experienced as such by our people. It is not easy to conduct, and it demands, if it is to be credible, additional sacrifices from our people, for instance in the field of defense, where we have to rely on ourselves. In fact, our neutrality precludes our joining military alliances such as NATO. It precludes our participating in economic organizations of a high degree of integration, such as the Common Market.

In the eyes of our people the great advantage of our neutrality has been for centuries its success in achieving its aims and in having saved our country from many a bloody war.



A session in the upper house, the Federal Council.

Q—Isn't Switzerland in reality squarely in the Western camp, both ideologically and materially?

A—There is no such thing as an officially imposed ideology in Switzerland; every citizen is free to profess what opinion he pleases and to defend it publicly. But yes, our institutions and the values which the majority of our people are attached to place us firmly within the frame of Western civilization—which fact does not, of course, prevent friendly relations with others. It is also well known that we have always

stood for a market economy and a free-trade policy. Nevertheless, our economic relations are highly diversified, and approximately a quarter of our exports go to Third World countries.

Q—Could Switzerland survive as an independent entity without the nuclear umbrella of NATO?

A—The experiences drawn from our history do not lead us to consider the task of our independence as a simple one; yet we are in our intention to whatever the circumstances the Swiss Confederation countries that do not possess weapons, extremely a fair balance in and military power.

Gains Expected by Midyear

(Continued From Page 7)

now armed with a handful of economic, fiscal and monetary powers, albeit of a rather piecemeal nature, is by no means to the liking of all partners in the Swiss economy. There are complaints that the government is the jack-of-all-trades and the master of none, and calls for strict spending discipline and blasts against the heavy hand of the tax authorities which has brought some sectors of the economy to "the verge of prostration."

More Limits

Despite the fact that there are more limits in Switzerland on government activity, particularly with reference to the economy,

than in almost any other country, the proponents of the free enterprise system in its purest form suggest that the government would do better to let industry get on with the job. Barring power and self-financing capacity, they suggest, are the motors for prosperity and social progress, and these are being insidiously undermined by increasing taxation.

Needless to say, this is not the view of the majority, which sees increasing government outlays for social welfare, health and other programs of community interest as one way of balancing out, at least to a very limited extent, the inequalities of income and wealth which mark an otherwise admirably functioning free enterprise market economy.

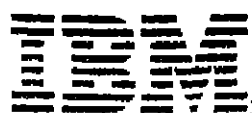
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هكذا من الأهل



Policy of Floating the Franc Fights Inflation While Aiding Recovery

David Egli

GENÈVE—In the past, the Swiss National Bank has been headed by one of the most dynamic central bank governors. Under the Swiss National Bank president, worked within the bank for nearly 20 years, serving as secretary of the Swiss National Bank Association for currency. Despite his responsibilities, he is accessible and very open to the public, concerning general.

He decided to float the franc in January, 1975.

Under—We had to give up because the volume of purchases by the Swiss bank was just too big; selling billions of Swiss francs to the market. It was almost 12 percent of the money supply. But last year, the first time in the history of the Swiss National Bank, we had a surplus of francs under the previous fixed rate system, we had a surplus of francs.

Q—During the time of the float, you have been intervening in foreign exchange markets on a larger scale than under the previous fixed parity system.

A—Yes, that's right. But on the other hand we have managed to offset dollar purchases by selling dollars to the market in connection with capital export operations. Under the fixed parity system what we bought was for good. We control our operations now and keep a close watch on the net accumulation of dollars with the Swiss National Bank because this means a net increase of the domestic money supply. We have been more successful in our efforts to defend our parity against D-Marks, trying very hard in our daily operations to float in parallel. Apart from the regular snake concentration in which the U.S. and Switzerland participate, this depends on a very high degree of concentration with the Bundesbank. We try to combine our efforts as to volume, the direction and the timing of interventions.

Q—What is Switzerland's present position towards the European snake?

A—You can't say Switzerland is anxious to join. I and some other people were, but there were also some monetarist professors who believed in the priority of the domestic money supply.

Q—Do you see a continued upward movement of the Swiss franc this year?

A—It sometimes creeps. It sometimes runs. We are anxious to dampen the heavy fluctuations: the ups and downs of the Swiss franc which are normally stronger than in other exchange markets. The volume of Swiss franc operations compared to domestic money supply is much higher than for other currencies, and that's probably the main reason for these fluctuations. At the same time we see the negative effects of the upward movement of the Swiss franc, and it's relatively easy for our export industries to blame the National Bank for the hard times they are having. But slowing the trend is difficult, particularly if the downward movement of the dollar is general, with all strong currencies getting stronger. Switzerland has the same interest here as the Germans and some others, but in view of the huge volume of dollars floating around in the world—especially in the Eurozone—it is almost impossible to stop this movement.

Q—How do you see the future of the snake with the French out and pressure on some other snake currencies?

A—The snake in these conditions is not very attractive. Whether it is going to survive depends on the Common Market elements of the snake. Is it important enough for non-monetary reasons for the European Community to maintain the snake? From a monetary point of view I certainly feel that the mini-snake is not as important as the big snake was. I wonder whether it will not lead to, let's call them, unnecessary tensions in foreign exchange markets. I do not think it will contribute to monetary stability.

Q—Right now would you think twice about Switzerland joining?

A—No, I think we would consider the situation only once, and the answer would be no—not for the moment. It is not the snake that it was. And I think it would be bad taste since France was against Swiss membership to say, "Now France is out, so we'll come in." We like to maintain good relations with France and our candidature would make it very difficult for France and

'I believe in the develop-

ment of the banking

sector for structural

reasons. In the next

decade we will see a

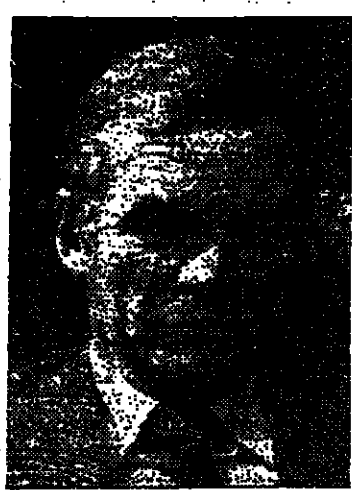
relative decline in

the industrial sector

in favor of... all sorts

of international

services.'



Fritz Leutoller,
of Swiss National Bank

other community countries to rejoin the snake after a certain time.

Q—It is gratifying to see that questions of taste are sometimes involved in monetary matters. Could we look at the relationships you maintain with the Swiss banks?

A—Speaking of taste, you mean?

A—Well, yes: taste and "gentlemen's agreements" and so on. The Swiss National Bank, of course, has greater powers today than it has ever had.

Q—Not legal powers. Let's say we have some powers of moral suasion based on basically good relations with the banks—although we do not agree on all points. We have the advantage

of living in a small country where everybody knows everybody. We're not an anonymous Central Bank.

Q—It is true, nevertheless, that you have a great deal more clout in terms of the overall Swiss economy. This has not come about without misgivings on the part of the banks. Some feel that "gentlemen's agreements" were not terribly gentlemanly. You had to impose your views.

A—I'm not against "gentlemen's agreements," but I'd like to limit the field of application. You can't have reserve requirements based on such agreements because the banks never like an increase in reserve requirements or credit ceilings. And even if they like them they can't say so since such measures are normally against the interests of their customers. This creates an atmosphere of tension and it is easier for the banks if they are given orders.

Q—Do you think Swiss commercial banks should be cut down to size?

A—I believe in the development of the banking sector for structural reasons. In the next decade we will see a relative decline in the industrial sector in favor of banking, insurance and all sorts of international services. It is not our intention to stop this development, but we would like to slow down the relative growth of the banking sector. We should not have a declining economy in real terms and a very high growth rate of the banks. Even the leading banks see this problem and they know they have to be careful; that there are limits to their ex-

pansion. We can't have growth rates of 20-25 per cent a year in their international activities.

Q—There are some moral problems involved as well, in these international activities?

A—I think the government, the Central Bank and the Swiss bankers in general should try to improve the image of Swiss banking. Whenever I watch a play on television or go to the cinema and there is a crime, the money ends up in Switzerland in a numbered account. It's unpleasant and I'm worried.

Q—I presume you are less worried about the negative impact of this popular image than you are about the possibility that this is indeed the case—that Swiss banks do launder money either knowingly or unwittingly?

A—Well, we are certainly not the only place, but we have all sorts of banks here. I'm sure that our big commercial banks, or the cantonal banks, most of the regional banks do not accept dirty money if they know that it is dirty. But I know the route that money follows. It is dirty at the beginning but when it ends up with a bank it looks clean.

We have all sorts of banks and I can't feel responsible for all the banks we have in Switzerland. I'm worried both about the reputation of our banks, and about the fact that this kind of money is placed within the Swiss banking system. But I must say I'm more worried about the reputation because I believe that we don't have more dirty money in Switzerland than there is in some other banking centers.

Q—Do you feel that recent

developments—the negotiation of a judicial assistance treaty with the U.S. which opened a chink in Swiss bank secrecy, and now the proposed law to repress fiscal fraud—will make a difference?

A—We'll probably never go as far as the United States in this country because it would need a hard-to-get general consensus.

Q—But the wind is blowing in that direction?

A—I don't deny it. Yes, but it is a very slow wind. It is not the intention of our authorities to abolish banking secrecy. But it is the intention of the Swiss government and of the Swiss National Bank to clean banking secrecy of all the negative connotations. You don't find the idea of numbered accounts in our banking law, for instance. It is not a part of banking secrecy. I don't like numbered accounts.

They were originally introduced for good reasons, but I wonder whether they are really necessary now. One way out might be to number all accounts, not only for wealthy nonresidents (and residents as well) but for everybody. We have had lengthy discussions with the banks on numbered accounts and we're not giving up the issue. Our banking secrecy does not protect criminals, but the problem is you have to find out your customer is a criminal before you can act. If the American authorities tell a Swiss bank: "Look, Mr. So-and-So is a criminal," but he's not accused yet because they do not have proof, that's not sufficient.

Q—The Swiss Banking Commission has tightened up its practices in recent years. Do you feel that

it does now provide the kind of surveillance that is really necessary?

A—I think the law is sufficient but the practice is not sufficient yet, and the Banking Commission knows it. What is needed is a qualified staff. The commission has an extremely small staff. But we have made some progress. We now have a representative of the Swiss National Bank in the commission. We get some information here that the commission does not get. More than numbered accounts, I am concerned with the number of second and third-class banks in Switzerland.

Q—Will the more restrictive policies on the setting up of new banks in Switzerland ultimately spell the end of the more dubious banking operations?

A—I hope you are right. But, you know, the more difficulties other countries have—economic, political and monetary upheavals—the more money comes into stable countries like Switzerland. Many of the people trying to protect their money go to first-class Swiss banks. But some of them, especially those who break some domestic rules in their own country, are inclined to go to second or third-rate banks because something is not clean about their money. And some of our banks—fortunately a minority but they exist—are living on breaking rules of other countries. Of course, these rules are not legally binding for banking activity in Switzerland, but it is most unpleasant. You see other countries helplessly running out of capital and we get the capital here.

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Fund launched: 28th October 1968.

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Banque Cantonale du Valais, Sion.
Banque Populaire Suisse, Geneva.
Union de Banques Suisses, Geneva.
Darier & Cie, bankers, Geneva.
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Supervisory body:

S.A. Fiduciaire Suisse,
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Trend of share issue price:

Dec. 1966	— S.Fr. 1,079.30
1967	— S.Fr. 1,101.50
1968	— S.Fr. 1,056.70
1969	— S.Fr. 1,272.50
1970	— S.Fr. 1,334.
1971	— S.Fr. 1,285.
1972	— S.Fr. 1,415.50
1973	— S.Fr. 1,438.
1974	— S.Fr. 1,488.50
1975	— S.Fr. 1,546.50

Gross dividend for the year 1974/75: S.Fr. 65.- (S.Fr. 22.- of this exempt from withholding tax).

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World Upturn Expected to Aid the Export-Minded Swiss

By David Egli

BERN (UPI).—With the economic recovery in West Germany, Switzerland's largest trading partner, and in other important industrial nations, the latest forecasts of the Swiss economy indicate an increase in export orders in the second quarter of 1976. About 40 per cent of companies questioned in a recent survey anticipated an increase in their foreign orders during this period, while only 16 per cent saw a further decline.

If this upturn materializes, it will be the first increase over equivalent figures for the previous year, since mid-1974, and may signal a broader-based recovery for the Swiss economy as a whole.

But, as the head of Switzerland's Division of Commerce, Paul Jolles, explains in the following interview, the decline in foreign demand over the last two years is only one of several causes for the sharp deterioration in Switzerland's export potential. A Harvard University Ph.D., Mr. Jolles has headed the Division of Commerce of the Swiss Department of Economic Affairs for more than 10 years.

Q—How are the current economic difficulties of Switzerland reflected in foreign trade?

Mr. Jolles: Fortunately, the present recession is still quite different from the crisis of the 1930s. But we are in the most difficult economic phase since World War II for several reasons. Firstly, there is the very close integration of the Swiss economy with the world economy, and the high dependence of our industry on foreign trade. Roughly one quarter of the Swiss gross national product derives from exports, and if you add services and the indirect effects of export industries on the economic life of the country through building, subcontracting and so on, you quickly reach fifty per cent. So, the first cause of the recession is to be found in the economic conditions prevailing in our traditional export markets.

But reduction of foreign demand is coupled with monetary difficulties. The constant increase in the exchange rate of the Swiss franc has gone well beyond a mere adjustment in a floating exchange system. The franc has had a remarkable attraction for transactions which have nothing to do with the economy itself, and since May 1971 we have seen an

increase in the value of the franc, weighted in relation to our export trade, of 57 per cent. This has been going by leaps and bounds. This has clearly affected our competitive position in the world.

The third reason is structural. The extraordinary boom of the 1960s which carried through to 1973-74 enabled marginal producers to be competitive and covered up certain structural weaknesses of our industrial sectors. These are now making themselves brutally felt.

The overall effect is depressing the economy although each of the causes bears a different weight in respect to different sectors. They are least noticeable with respect to services—the situation of the Swiss banks has been excellent—they are felt most in respect to the textile and watchmaking industries.

Q—Isn't a part of the trouble in the watch industry a question of adaptation to new technologies?

A—The traditional watch industry is encountering difficulties because of reduced demand, high exchange rates and, in addition, because of certain protective measures taken by our trading partners. Unfortunately, and we think wrongly, watches are still considered in many countries as a luxury item. Developing countries which have had to cut down on their imports because of balance-of-payments difficulties, have tended to single out watches as the first category of goods where such restrictions are imposed.

There is also the question of technological change through the introduction of electronic, digital type watches which have little to do with traditional watchmaking. Electronic watch production is, of course, much less labor intensive. It is perhaps too early to say whether the electronic watch is going to be the time measuring instrument of the future of if traditional watches will more or less maintain their position. But obviously the Swiss watch industry has to play both cards. Restructuring—the adaptation of its production to the new technologies—creates unemployment.

Q—In general terms Switzerland has been losing ground in its traditional markets. But if you take trade priorities the biggest Swiss trading partner is

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which have nothing to do with the economy itself, and since May 1971 we have seen an

increase in the value of the franc, weighted in relation to our export trade, of 57 per cent.'

West Germany and here the basic trading relationship appears not to have changed fundamentally. What are your comments?

A—If you say we have been losing ground this should be qualified. Our exports did drop last year. They diminished in value terms by 5.4 per cent and in real terms by 1.2 per cent. These figures correspond more or less to the contraction of world trade in general: we have been losing as much as other countries but not much more, although the situation varies from sector to sector and country to country and market shares could often only be held at a substantial sacrifice in earnings. We lost most ground in the United States and the dollar area in general, but in the European OECD area our trade is down by about the same amount as other countries.

Unfortunately, the D-mark has not had a parallel development to the Swiss franc. It did for a long time and until last autumn the franc was about 120 to the mark. Now they are on parity, which means an appreciation of the franc of nearly 20 per cent. But the example of Germany is a good indication of how the different elements combine or neutralize each other. Germany, with a relatively quick recovery of its own economic activities, is now importing as much from Switzerland as it did before the exchange rate situation changed. The increased demand is compensating for the increased price of Swiss exports.

Q—Are you confident this situation will continue?

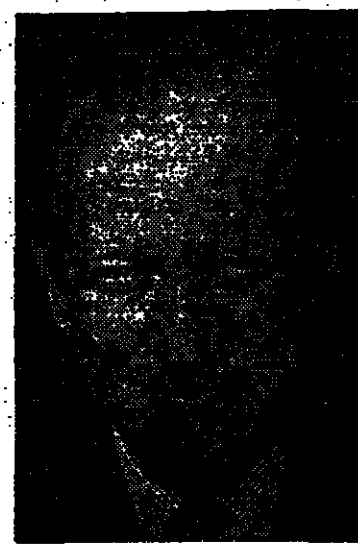
A—We don't know. Where our products are highly specialized the danger of substitution because of prices is small, and that is why we think that one of the means of overcoming the recession in Switzerland is by emphasizing technology and making a special effort to remain in the forefront of technological creativity.

Q—At least on the import side the parity changes have not led to a significant upswing.

A—No, the opposite is true. Imports have declined more sharply than exports. In value terms imports declined by 28 per cent last year and by 17 per cent in real terms. This was about three times larger than the decline in exports. The reasons are twofold. During the inflationary period preceding the recession it was a question of prudent management to hold as large stocks as possible because imports got more expensive every day. These stocks are now being run down. The second reason is that Swiss industry is essentially a transformation industry and when production falls off the need for foreign raw materials and semi-finished goods also declines.

Q—Switzerland's main commercial relations are with other European countries. How would you see these relations at present?

A—I would put the European



Paul Jolles, head
Division of Commerce

Community countries and the EFTA countries in the same category since our commercial trading conditions for both groups will soon be the same. We have 80 per cent tariff demobilization with respect to the European Community, and, of course, 100 per cent with respect to the EFTA countries. But it is precisely the European countries which absorb about three-fifths of our exports that have been hit hardest by the recession, and they include countries with great economic difficulties such as Britain and Italy. In line with the OECD we feel that even when the upswing comes for these countries the rate of growth will be notably slower than it has been in the past and that we cannot hope to achieve a growth in our exports to these countries comparable to the rate we enjoyed in the past. That's why we are currently pushing diversification and making great efforts to expand our exports to so-called non-traditional markets: the Eastern European countries, China, the Middle-East oil producers.

Q—And the developing countries?

A—We are making efforts in these countries as well, but they have always been trading partners for Switzerland. On a per capita basis, Switzerland heads the list of industrial exporters to the developing countries. But

we are most interested in the North-South dialogue in improving the economic conditions of the world so that they can to satisfy their development by maintaining a high level of income. The price for this, of course, financial aid to help them overcome balance-of-payments difficulties and in the long run help them improve their commodity trade they can earn an amount of foreign exchange for their import of goods and services. To their exports they add technology and investment their industrialization and their international economic situation ought to facilitate this.

Q—How important presently multilateral institutions to Switzerland?

A—They are very important as an indication of the world's economic situation. They will on the part of the countries to raise their standards of living and secondly in this date the international order constructed after World War II. Conditions changed and there is an improvement in the discipline. We should only with import restrictions markets must have a certain access to supply.

Q—What are the prospects for Swiss export recovery of Swiss export United States?

A—The revaluation of the Swiss franc with respect to the dollar stands at about 100 to the dollar, and that's a significant improvement. But the phrase on sophisticated technology is well suited to the needs of American and Swiss investors. United States and Switzerland, on the other hand, are in a position to indicate a for mutual penetration of markets.

Q—Are there any changes in the pattern of trade relations on the next twenty-five?

A—Sweeping? No. National partners will remain trading partners may gain in relative

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Omega and the Quartz Revolution

Total Commitment to the Future

When something comes along to revolutionise an industry, the tendency is to snigger and look aside at the leaders of that industry. How are they to handle it?

Exactly what happened, when the solid-state wristwatch made its spectacular entry into the market. And it was Omega, as the acknowledged leader of the high-quality watch industry, who in for a great deal of the sidelong looks.

A matter of policy

A question is posed. How is Omega handling the unique challenge? What policy will it adopt in a rapidly changing market?

The answer is simple: the same careful research and development principles it has always applied—clearly since the electronic technology gradually moved into the Swiss watch industry some 15 years ago.

At the time, Omega was already intensely active in watchmaking technology and particularly involved in pioneering of the quartz movement, which was revolutionising standards of timekeeping accuracy a few years.

Always remembering that it is a high-quality manufacturer in the traditional sense, Omega has established another reputation—as a technical leader and innovator.

The technological revolution presently shaking up century-old structures of the industry came as no surprise to the company. Omega was one of the leaders.

Omega's principles, almost religiously respected, never—never—be satisfied with things as they are. A counterbalanced, however, by another equally important principle. Technical improvement is not an end in itself. It must serve the company's over-arching objective: the consumer's satisfaction.



Omega Megaquartz 2400, the first wristwatch officially certified as a Marine Chronometer.

Proven technology

There are numerous technologies available, either from the company or from outside sources. But Omega does not, and never will, experiment at the consumer's expense.

New technology has to be thoroughly tested and proven before it goes into an Omega product. It has to pass the most exacting and gruelling simulation tests specially developed by Omega's quality-testing department.

Omega's marketing director points out, the glory of first with a new device is often painfully short-lived—a risk Omega, which has been a leader in watchmaking for 130 years, does not want to, indeed not possibly run.

25 years in quartz research

Helsinki Olympic Games, 1952, saw one great event in the history of time measurement—Omega introduced quartz technology which made accuracy to one in a hundred thousandth of a second possible. Its timing also led to another Omega innovation: digital time displays linked to the TV screen.

Between the massive machinery of Helsinki in 1952 the sleek quartz watch on a man's wrist today is a world of difference.

He time, in fact, it was thought unlikely that the quartz technology could really be miniaturised to this level. Omega thought otherwise. In cooperation with the Batelle Institute, it invested millions of dollars in research. Data coming from the equally vast NASA program was eagerly scanned—and it was developments in the space program which made final breakthrough possible.

The world's first wrist-size marine chronometer

A breakthrough was marked by an outstanding technological achievement. Omega technicians went on to create the first wristwatch ever to be awarded the title of a marine chronometer—a distinction reserved in the past for nautical timepieces only. Anyone knows about chronometers. Why should the award of a marine chronometer certificate be so important?

The answer is: you use a marine chronometer for



Since 1965, the Omega Speedmaster has participated in 46 space missions and six moon landings.

navigation. And the smallest error can cause enormous problems—or even accidents and loss of life. The marine chronometer, therefore, must be infinitely more accurate than an ordinary chronometer. Hence its customary massive size. The "nautical" timepiece. The Omega Megaquartz 2400 is accurate enough to meet this demand. To within one second a month. That was some years ago. Today, the Omega Megaquartz 2400 is still the only wristwatch to have been awarded a certificate of this kind.

Which says something about Omega's leadership in electronics.

But the marine chronometer is just one example of occasions when the accuracy and reliability of a watch can be considered crucial—even a matter of life and death.

First watch on the moon!

A famous example that comes readily to mind is the production-line Speedmaster, on an astronaut's wrist, which was a key contributor to Apollo 13's safe return to earth after other timing controls failed. The Speedmaster has been a partner in the space adventure for over ten years now—and when cosmonauts and astronauts shook hands in space last year, there was still a Speedmaster on the American's wrist. And on the Russian's, too.

From the pendulum to the quartz resonator

What makes a quartz watch so different from traditional watches? Here's a simple explanation: The principle of time measurement consists in splitting the second into equal parts—traditionally this is done by the oscillations of a pendulum or the simple escapement familiar to everybody. The finer the divisions or the higher the oscillations, the more accurate the watch.

But the traditional escapement divides time into only five parts per second.

The first major improvement was the tuning fork. Early models vibrated at about 360 times a second. But the real, critical breakthrough, in terms of accuracy, came with the development of the quartz movement.

The physical properties of quartz are such that—under the stimulus of an electric current—it vibrates at even rates varying between thousands of times and several million times a second, depending on the shape and size of the quartz. The Omega marine chronometer, for example, vibrates two million and four hundred thousand times per second.

To reduce these millions of vibrations to one impulse—which you see as a second on your watch-face—demands a highly sophisticated device, one which has to replace all the wheels and pinions found in traditional watches.

The integrated circuit—already in use in the computer industry—was the answer.



Photofinish recorded by the Omega Photoaprim.

Exclusive industrial know-how

First of all, a new way had to be found to drive the hands of the watch around the face of a quartz watch in traditional "analogous" design. Omega spe-

cialists were commissioned to create a totally new kind of micromotor. They came up with one so revolutionary in its design that today it is protected by no less than 15 world patents.

Next came the digital display. And this posed a different problem.

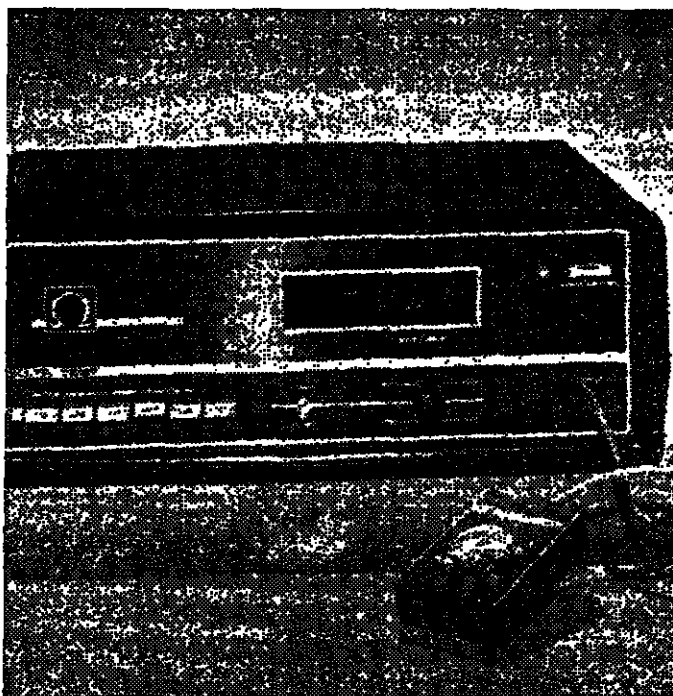
There are two sorts. LED—light-emitting diodes. And LCD—liquid-crystal display. The first light up only on command, the second kind displays continuously.

Because Omega believes that it must be involved, directly or indirectly, in the quality control of every part of each watch it makes, it went in search of the best suppliers in the electronic industry. Omega has been one of the founders of and holds a substantial interest in the CEH (Centre Electronique Horloger), an Institute specialising in electronic research for the Swiss watch industry. Incidentally, it was the CEH which developed the world's first wrist-size quartz watch.

Omega attaches especial importance to the quality-control standard of integrated circuits. A computer manufacturer is happy to say that his product will work for 8,000 hours without a fault occurring. But what is 8,000 hours in the life of an Omega watch? Control doesn't stop there.

Dissatisfied with available quartz, Omega built its own factory and is today a major supplier of high-quality quartz.

And Omega's sensitive test instruments—Deltatest for accuracy and Alitest for energy consumption and battery life—are used not only by Omega service centres throughout the world but also by other manufacturers seeking the same kind of precision and reliability.



The Omega Deltatest, specially developed for checking the accuracy of electronic watches.

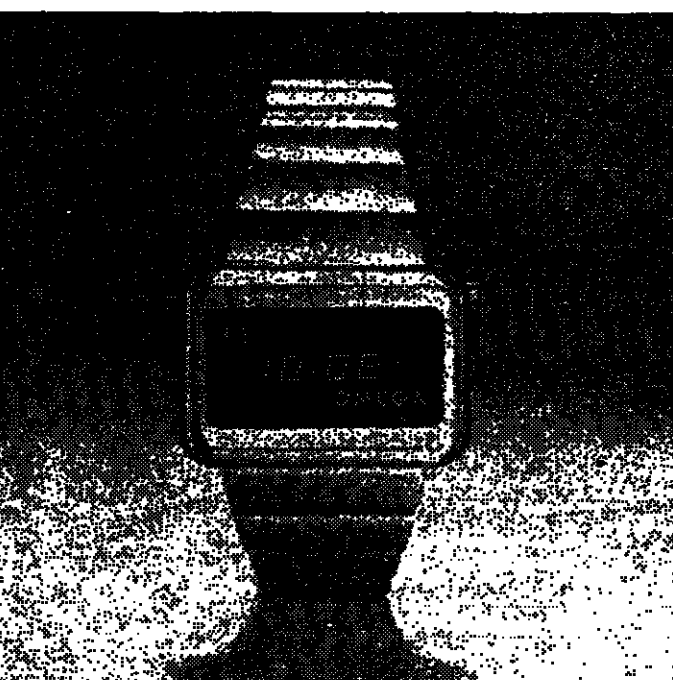
The challenge of the digital watch

In the meantime, other Omega specialists—marketing men and psychologists—were looking at another important question.

What is the watch of the future to look like?

Will it have a digital-display face overwhelmingly—or will both types of face remain in demand?

In 1972, Omega, which at that time had been experimenting with digital display in the field of sports timing for more than 25 years, was among the first to introduce a digital watch—a watch, that is, tech-



The Omega Digital LED, introduced by Omega in 1972. The first high-quality digital watch on the market.

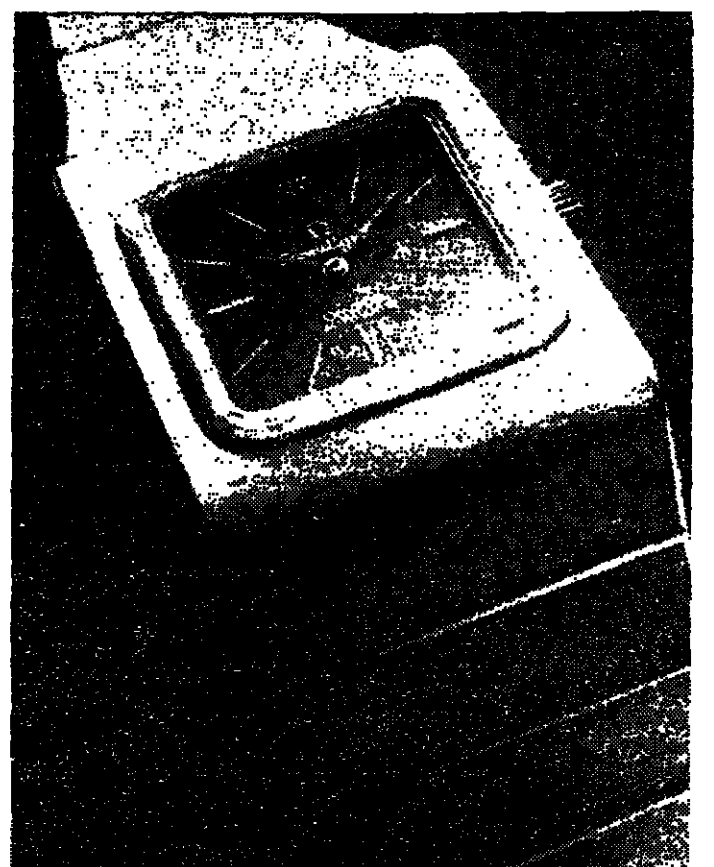
nically reliable and accurate enough to be offered the public under the Omega name.

The solid-state technology opens entirely new perspectives to watchmaking and watch design—with technical solutions undreamed of until a few years ago. Therefore, at Omega, there is no doubt about it: the digital watch is definitely here to stay.

It is unlikely, however, that the window of a really good watchmaker's shop will ever be entirely filled with digital watches.

Time, to many people, is also space—easily visualised on a traditional dial. It tells you at one swift glance how much time has elapsed, the exact time now, and how much time you have in hand.

Research studies made over a considerable period of time have tended to bear out the hypothesis that most people reject the concept of the watch as being simply a time machine. They will tend to regard it as one more of the many subtle ways in which to express



Time in style: the Omega Constellation 2000.

their individual personality and they will always insist upon the right to choose.

Therefore, it is Omega's conclusion that traditional faces—in all their beauty and variety—are also here to stay however the underlying technology may change. The electronic generation now growing up in front of its television sets may well take a very different attitude from that of its parents.

But whatever attitude it chooses to take, Omega will be ready to adapt.

Styling for tomorrow

Styling is another activity in which Omega has been a long-time leader. And styling—after accuracy and reliability—is what sells a watch in the Omega class. Omega maintains a design centre—the Research Centre for Advanced Styling—in Geneva, the world centre for watch design.

Here are designed the watches which will appear on the customer's wrist in perhaps five, perhaps ten years from now.

Secrecy is maintained which would make the late Mr. Howard Hughes envious.

Understandably. The care for style which makes Omega one of the world's most-wanted watches also makes it the world's most-copied watch.

However, for all the importance Omega attaches to styling, its main preoccupation is to create designs that are above the whims of fashion—watches that will be owned with great pride and satisfaction, always. Because to safeguard its customers' investments is yet another Omega principle.

Creativity and craftsmanship

To carry out these designs when they are at last let out of the studio, Omega has once again insisted on keeping total control of production. A special factory is devoted to the making of the cases of the luxury watches—both in steel and in gold, both masculine and feminine—which are Omega's special pride.

Here, as the French would say, "les extrêmes se touchent." The most sophisticated technological achievements in watchmaking—encased in a fine example of some of the world's oldest arts.

The art of the goldsmith—and of the armorer. Omega's new Constellation 2000 is a case in point. Omega designers rediscovered a technique lost since the Middle Ages. A certain way of inlaying steel with gold. And this is something for the copiers to cope with... because Omega has absolutely no intention of revealing to anybody exactly how it does it.

World-wide service that really works

Another thing you discover when talking to Omega executives at every level: they are obsessive about after-sales service.

During the 130 years of its existence, the company has slowly and steadily built up the most comprehensive and most efficient after-sales service in the world. The same standard of service is sought in every country where Omega watches are sold. Wherever you may be, you need not ask in what town or in what country your nearest Omega agent lives. The Omega ideal is that you should simply have to ask what street.

Similarly, Omega has an obsession with maintaining the claims it makes—for example water-resistance. During minor service functions, like changing a battery, the case has to be opened. To ensure that, when closed again, an Omega is still the watch which was first sold, the company supplies service centres with special testing equipment—a vital thing where electronic watches are concerned.

Obsessive? Not really. While Omega in business is a completely international company, its origin and spirit is entirely Swiss. Careful people. With a tradition, not only of fine watchmaking but of saying only and exactly what they mean.

And if they claim in their advertising that Omega is the watch you can trust—more than any other—you may be pretty sure they have done everything to live up to that claim. Or, in other words: there are moments in life when wearing an Omega is highly reassuring.



Prosperous Banking Industry Adjusts to Some Government Controls

ZURICH (IHT).—Profits and booming business should not be embarrassing, perhaps least of all for banks. And yet, distinctly, one detects a slight note of apocryphy when getting around to discuss this subject on Zurich's Bahnhofstrasse. The exhortation of the federal authorities, so common a couple of years ago, has died on the bankers' lips. Apparently with reason, they then drive home the point that they were singled out to bear the brunt of efforts to maintain the economy on an even keel and curb inflation. The banks didn't like the toughly restrictive money and credit policies, nor the stern measures to prevent the influx of foreign funds. Not in decades, they complained, had they been confronted with so many difficulties and uncertainties.

These measures have not disappeared in the meantime. In fact, they have been reinforced in certain sectors. But complacency has replaced criticism as the banks are forced to admit that they can operate just as well with a degree of government intervention as they did in the good old days when they could perform pretty well as they pleased.

Last year was a vintage year for Swiss banking but the worst for the economy as a whole since World War II. The total assets of the big banks rose by nearly 17 per cent over the previous year to a total of nearly 147 billion Swiss francs, for the first time overtaking the country's gross national product of 144.6 billion Swiss francs. Assets of the Union Bank of Switzerland rose to very nearly 50 billion Swiss francs, and profits for UBS were up by

14 per cent at 208 million francs. The Swiss Bank Corp. and the Swiss Credit Bank did almost as well with 12 and 11 per cent increases in net profits, respectively.

Deposits Up

The rise in assets can be attributed largely to a heavy inflow of medium and long-term funds, with savings and deposits up by between 25 and 43 per cent in the big three banks. In the same period medium-term notes shot up by between 39 and 60 per cent, while demand and time deposits also improved, though patchily.

On the earnings side, the biggest gains were in incomes from securities, which in each case progressed by more than 100 per cent, more than offsetting

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foreign-exchange business and trading in precious metals. Foreign engagements also moved forward handsomely, with assets abroad up by more than 20 per cent.

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Foreign engagements also moved forward handsomely, with assets abroad up by more than 20 per cent, when one compares the 1975 year-end figure with that

of 1974 (72.8 billion and 60.5 billion Swiss francs respectively). After taking into account fiduciary positions and deducting liabilities, one arrives at a net investment of 29.5 billion Swiss francs, as against 18.8 billion in the previous year.

This has been achieved despite the numerous official moves tending to limit and control banking operations. These include a negative interest rate of 10 per cent per quarter on new foreign Swiss-franc deposits, the limitation of forward sales to non-

residents and a daily balancing of the banks' foreign-exchange liabilities with assets, the requirement that spot and forward-exchange transactions be reported on deals above \$5 million, and controls on minimum balances and capital market issues.

In addition, the Swiss National Bank and the authorities have made no bones about the fact that they do not like the negative image to Swiss banking that is associated with numbered accounts and that they would be happy either to do away with these altogether or find some means of neutralizing them. There have also been rumors that moves may be taken to set up a central foreign-exchange bank, rather than leaving the banks to look after this sphere of activities alone.

Alarmed

While the bankers' reactions to the growing tide of regulations is now somewhat subdued, they still do feel alarmed at the ultimate impact of all this on Swiss

banking as a financial industry. They tend to reject the growing impression that the development of the banking sector has been a success when compared with the rest of the economy. The banks would argue that, if the banking sector is developed and still in potential, particularly at

Despite the handsome increase of the past year, still fears for the future of the Swiss franc. In the heavy banking that is thrown up to protect it is evident that it is an attractive currency. If one considers that the franc in Switzerland has been brought down to 2.5 per cent annually the balance of payments in the black, a result of the franc's exchange, capital markets would force the franc to tighten the ties further—and there is a threat the banks would respect to certain areas of activity.

Foreign banks based in Switzerland are also concerned. Tighter rules, particularly in relation to the big Swiss banks, are strengthening the position of banking activities. Federal Banking Commissionally concern these as much as they do the Swiss

Borrowing

But while the Swiss market may no longer be as important in the field as it was—it is that it accounts for just one-third of all placements compared with around 10 years ago—it remains a source of funds for borrowers. Although at the end of 1975 the 13 for non-domestic bond lower than the figures in the early seventies, a very considerable improvement over the previous year, government deliberately foreign borrowings. The true for foreign borrowing private placements, which to around 7 billion Swiss francs, well over twice the year's amount.

The total of domestic bond issues was also a record, and with stable interest rates it looks as though the market will continue to be positive.

These are factors of growth for considerable when looking at probable increase this year. In and in broader terms, banks are already benefit a pickup in business abroad, and if the domestic only also shows good revival later this year again mean more business for the Bahnhofstrasse.

Insurance Sector Had a Mixed Year—Influenced by Many Factors

ZURICH (IHT).—The Swiss insurance sector depends to a large degree on developments in major foreign markets. More than half of the premium income of Swiss insurance companies, as well as a substantial part of their capital earnings, derive from foreign operations.

For this reason, great importance is attached to the international hedging of risks, in both insurance operations and in investment policy, but ultimately the success of these operations depends on the economic climate abroad and, particularly, the

performance of other capital markets.

Since results finally have to be translated into Swiss francs, the insurance companies have been watching with some unease the continued upward movement of the franc against other currencies.

Domestically, too, the industry is not immune to the business cycle, although for several sectors there is a significant time lag before the full effects of an economic slowdown are felt. Although the growth rates in domestic Swiss insurance operations last year were more or less on par

with performance in the previous year, it is to be expected that premium growth will level out considerably this year and may decline, in absolute terms, in some sectors.

Filter Effect

Changes in the overall business situation, such as the total wage and salary bill, disposable income, investments in building and equipment and expenditures on durable goods, will have filtered down to influence the insurance sector, while the generally favorable impact of reduced inflation

will still have to make itself felt.

The full impact of the Swiss recession is expected to be experienced mainly in the insurance areas which depend on salary levels or turnover—the collective, accident and health insurances, as well as public liability, industrial fire and transport insurance. With the downturn in business volume the pressure of costs is expected to make itself felt, and the earnings position of the insurance companies will also be affected by their returns on investment. With the exception of life insurance, other sectors have to maintain a high level of liquidity

and will be hurt by the sharp drop in domestic short-term interest rates.

Growth of Swiss life insurance slowed down considerably in 1975. Employment insecurity discouraged long-term individual insurance commitments, and group insurance business was hampered by a fall in the overall employment figures and less generous wage and salary adjustments.

Income from investments gained over the previous year and, in all likelihood, income return will continue on a high level because of the basically long-term nature of life insurance investments. The outlook in this sector is positive, particularly since the fall in the rate of inflation makes contractual savings attractive again.

Premium income declined in aviation and property insurances, influenced by the general slowdown. On the claims side, industrial fire insurance was affected by several major fires, including that of a Geneva department store which ranks as one of the most spectacular losses ever to occur in Switzerland.

Floods in several regions also brought a high level of claims.

Turndown Expected

Group accident insurance registered strong growth, but is expected to turn down this year. This will also probably be the case for general liability insurance, which is already showing signs of contraction. In health insurance, Swiss companies paid out in 1975 60 per cent more than their premium income, following three years of relatively low disbursements.

Transport insurances have experienced a mixed year. Some were hurt by the growing volume of countries requiring domestic insurance underwriting on imports and exports, in order to save foreign currencies.

Reinsurance operations in Switzerland produced premium income in the region of 5 billion

francs. This includes the results of the eight reinsurance companies licensed to operate in Switzerland and the reinsurance operations of about twenty-five direct insurers who are also active in this branch. The 1974 figure for the eight professional companies—not including their foreign subsidiaries—was 3.5 million francs, marginally down from the previous year. Nevertheless, the amount represents roughly one-fourth of the entire domestic and foreign business volume generated by the Swiss insurance industry. Three-quarters of this total premium income was retained by the reinsurance companies, and only one-quarter retroceded to other risk carriers.

For the Zurich-based Swiss Reinsurance Company, business performance in 1974 for the group as a whole was summed up as follows: Considerably reduced profit from non-life reinsurance, contrasted with a further improvement of the result from life reinsurance and increased investment income. Writeoffs on securities were substantially lower than in the previous year, but management expenses increased, and the conversion of foreign currencies into Swiss francs gave rise to a considerable loss. The group net profit fell by more than 10 million francs to \$3.4 million.

Exchange Problem

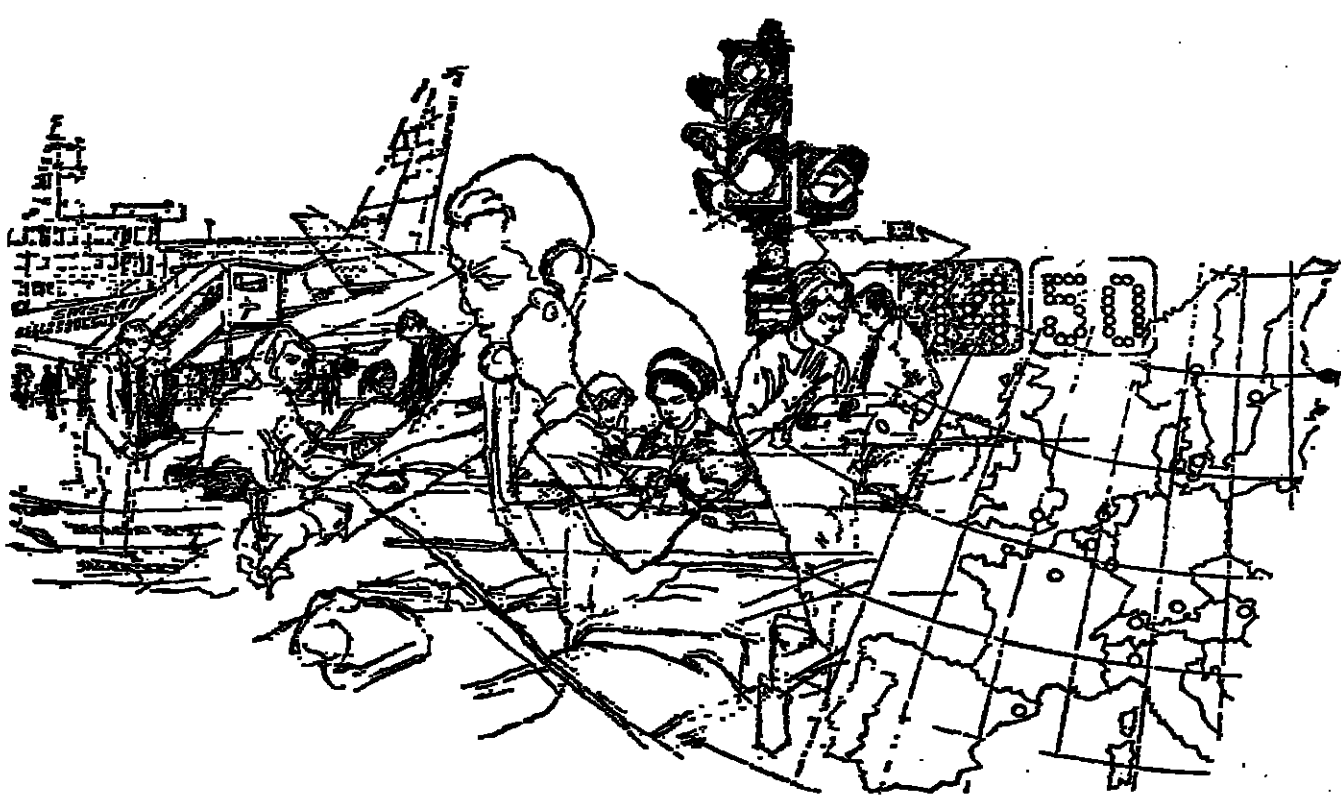
The reinsurance business is scarcely affected by the state of the economy. But the negative impact of changes in exchange rates is clear. While the situation in the industry sector improved in 1975—the upward valuation of the franc was stopped and against some currencies the Swiss franc parity even declined—the situation has deteriorated again in the early part of 1976 and is likely, again, to have a significant negative impact on reinsurance results—unless, of course, the trend is reversed in the next few months.

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Textiles Hurt by Slump, but Worst Is Thought to Be Over

LOCH (IHT).—The Swiss textile industry, concentrated in eastern Switzerland, was the first domestic sector to experience the combined effects of the steep Swiss franc appreciation against other currencies and the economic downturn in industrialized countries. About 10 per cent of Switzerland's textile exports are sold in these markets and the two factors combined to produce a deterioration of the situation in the industry.

Orders, such as they were, in irregularly, usually at notice, and were secured at terms "completely unsatisfactory prices." Swiss man-

ufacturers, with high-quality production, were forced to compete in a slack market, with lower quality and lower cost producers in a period when price was a determining factor. And to compound their miseries, the Swiss franc continued to rise.

Exports of textiles and clothing, which were stagnant in 1974, declined last year by some 13.5 per cent, or 384 million Swiss francs in value terms. Capacity utilization collapsed, some factories and mills went on short time and, while there were relatively few layoffs, the total labor force of the industry declined by about 12 per cent during the year, due to the departure of many

foreign employees and the non-replacement of others who retired.

Liquidity Problems

Low income in the industry led to difficulties in covering write-offs and interest costs on invested capital. Significant capital is tied up in risk-laden inventories of finished goods and some manufacturers are experiencing liquidity problems at a time when they feel the need to invest in new plant and adapt to changing market circumstances.

The cotton industry has experienced production cutbacks of

about 20 per cent in spinning and 25 per cent in weaving. In what may have been the lowest point of the recession, the first half of 1975, inventories of yarns and raw fabrics continued to climb, but from midyear onward with a slight pick-up in demand a reasonable balance has been maintained.

Nevertheless, the total sales volume of the Swiss cotton industry, expressed in value terms, declined during the first nine months of last year by some 26 per cent, compared with a similar period a year earlier. Yarn manufacturing in the spinning mills narrowed to below 24,000 tons, and in weaving out-

put was curtailed to 81.6 million meters.

But the longer term prospects of the Swiss cotton industry may not be as bad as these grim figures suggest. Swiss production has the advantage of being very modest in international terms, and highly specialized. It is a costly, quality product which has an enviable reputation in the fashion field and undoubtedly will be in demand again when the general economic climate improves.

Political Interruption

The Swiss embroidery industry, which exports 90 per cent of its

output, has illustrated spectacularly the turnaround that the finding of new markets can bring. The fall in Swiss embroidery exports to Italy, the biggest market, was about 40 per cent last year and exports in other traditional markets—Germany, France, Britain and Spain—were also alarming, while business almost came to a standstill in Portugal and Lebanon for political reasons. By the first quarter of last year the utilization of automatic machine capacity in the embroidery industry fell to 65 per cent as against 90 per cent a year before, and total exports were down by a quarter.

Then came the Nigerian oil boom and with it a fashion craze for embroidered clothing for both men and women. Automatic machine utilization rose to 80 per cent of capacity, and when Saudi Arabia joined the embroidered clothing brigade and traditional purchasers came back into the market, the machines were running at 94 per cent capacity.

While the Nigerian boom is expected to work itself out, there is considerable confidence in this specialized branch for current short-term prospects.

No such optimism can be applied to the synthetic fiber industry, which experienced an export decline of more than 35 per cent last year. With further price increases for the basic petrochemicals needed by this industry, few companies have any illusions about prospects. According to banking sources, if the Swiss franc parity remains overvalued—and it is still rising—not only the earning power but the existence of numerous firms will be in doubt.

Short Work Weeks

Exports of woolen products declined by more than 15 per cent in the same period, in value terms, and sales of the entire textile finishing sector slumped by almost 30 per cent also in 1975, leading to layoffs and short work weeks.

In clothing manufacture, where cyclical ups and downs are nothing new, the situation is almost equally serious, with traders running down their stocks and a high rise in competitive and lower priced imports for the Swiss domestic apparel market. Price competition is fierce and, because of the import possibilities, traders are putting great pressure on the manufacturers. As one trade insider put it: "The battle for survival must be waged literally 'at any price,' meaning accepting orders that do not cover costs and/or producing into stocks."

But here again, as for the industry in general, the feeling is that the worst is now over. The downturn may have bottomed out and, after nearly two years of economizing, the Swiss consumer must now be noticing some serious gaps in his or her wardrobe.

But even with hopes of recovery there are worries in this labor-intensive branch of the textile industry. When the upturn comes, will it be possible to find employees to operate the machines again? In the past, many were non-Swiss. Having left, at an opportune moment, they cannot be replaced by other foreign workers because of present stringent Swiss immigration laws.

Rise of Franc Dims the Recovery Outlook for Chemicals

EL (IHT).—For the Swiss domestic chemical industry, recession appears to have ended in the third quarter of last year. But although quarter production figures sharply improved—up by 12.8 per cent over the preceding three—the steep revaluation of the Swiss franc, particularly at the deutsche mark, has a further gloomy shadow the prospects for next year.

In 80 to 85 per cent of its production destined for export, unhappy fact is that domestic-produced chemicals are expensive, and it is becoming increasingly difficult for companies to maintain their position on the world market. Wholesale price of chemical products was reduced by more than 13 per cent last year, or by a long stretch of the nation could it be hoped even such a sharp decline compensate for the high of the Swiss franc against currencies. Thus the overture for this year remains under as it was for 1975, turnover was off by more 17 per cent and exports declined for the first time in 20 years. Production also declined in 1974 figures—by more 18 per cent—bringing the situation back to 1972.

In value terms, exports were more than 10 per cent at million Swiss francs, while in terms, exports were down

by about 11 per cent. Dyes and chemicals for industry were particularly hard hit, but soaps and detergents, organic and inorganic products, perfumes and cosmetics also suffered serious declines. The only sectors performing relatively well were agro-chemicals, which showed a gain of 7 per cent, and pharmaceutical products, which almost managed to hold their own in relation to previous years.

Difficult Times

Despite the difficult times, only 10 out of nearly 400 chemical enterprises were closed or absorbed, and while employment was down by 3.5 per cent—meaning that there were about 2,500 fewer jobs available in the industry—considerable efforts were made to avoid actual layoffs. There were scarcely more than 200 registered unemployed persons in the chemical industry by the end of the year.

Business policy in this sector in the past had been dominated by worries about the mobilization of human, financial and material resources. Priorities had to be established between rapidly expanding product ranges while adequate supplies had to be maintained in what was emphatically a seller's market. With the sharp reverse in the situation, according to Samuel Koechlin, the executive chairman of Ciba-Geigy, efforts have to be aimed at defending existing positions in a buyer's market and, at the same

time, maintaining employment, curtailing rising costs—at a time of sinking turnover—and eliminating unprofitable product lines.

"We must learn to lower our sights," he said, "without thereby provoking social tensions and economic crises." He said that "the belle époque of the post-war period is over, and we must modify our attitude in order to continue to operate successfully under future conditions." The "trial by fire" of the Swiss chemical industry will undoubtedly continue through this year.

But economic difficulties have not affected the whole industry in the same manner, and for a variety of reasons. Switzerland's top chemical concerns with headquarters in Basel have performed outstandingly well under the circumstances. Hoffman-La Roche, Ciba-Geigy and Sandoz, according to Chemical Insight, ranked second, fifth and seventh in the tables of the world's leading pharmaceutical companies (classification based on 1974 performance). The three groups combined have well over 200 production and processing plants outside Switzerland, and nearly three times as many persons are employed abroad as at headquarters.

Group Sales

Also, in the case of Ciba-Geigy, for instance, 88 per cent of group sales take place outside Switzerland.

This widely spread production and sales network does not, of course, protect the pharmaceuticals from the impact of world economic trends in a difficult period, but it has permitted a certain amount of cushioning. Were it not for the fact that the final balance sheets are expressed in Swiss francs as of the end of last year, Ciba's world sales would be up by 10 per cent this year rather than down by 3 per cent—the difference being the impact of revaluation during the year. The effect on operating profits has been more dramatic: for the Ciba-Geigy group, operating profits were down from 473 million Swiss francs in 1974 to 191 million Swiss francs last year. The situation with Sandoz was essentially the same—a slight decline in group sales and a sharp drop in operating profits.

Group capital expenditure on plant, equipment and research were maintained at about the same levels as in the previous year. While some projects plan-



Research is a large part of the chemical industry.

ned or in hand were canceled because of the recession, the general policy followed by management was to avoid drastic changes of long-term investment plans even though maintenance of expenditure at the same levels implied, in certain instances, a departure from the principle of complete self-financing. Interestingly, for Ciba-Geigy, the breakdown of capital expenditure shows a pronounced increase in the

share for North America, with a continued decline in the share allocated to Switzerland. In the future, Basel may become more and more a research and development center only.

Expenditure in research for the same group represented about 8 per cent of total sales, with one-third spent on pharmaceutical research and nearly one-fifth on agro-chemicals—the two most promising areas for future sales.

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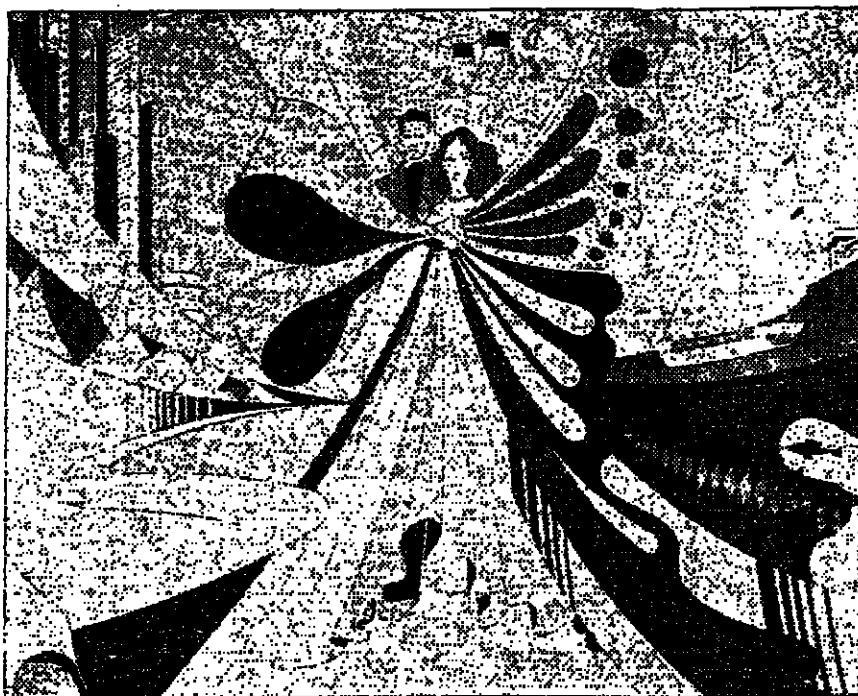
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A Banker's View of 'Close Collaboration' With Industry, Government

By David Egli

ZURICH (IHT).—Swiss banks, and particularly the largest ones, have never had it so good. In a period of recession in which the Swiss economy as a whole has been not only sluggish but turned in the worst performance for a generation, the assets and the profits from banking have surged forward to unprecedented levels. This has happened despite burgeoning controls and an increasingly difficult and critical climate for banking operations in general. Domestic public opinion seems to suggest that the banks have become too important in relation to other sectors. Abroad, the somewhat negative image of Swiss banking persists, despite efforts to set the record straight on such issues as numbered accounts and banking secrecy.

From general manager of the Union Bank of Switzerland, Philippe de Weck was this year promoted to chairman of the board—undoubtedly one of the most powerful positions in Switzerland. A lawyer by training, and from a family with a strong banking background, his more than twenty-year career within the U.B.S. has made it to the top. Before becoming general manager, he headed both domestic and foreign divisions of the bank. As a Roman—French-speaking Swiss—he is rather more outspoken than some of his colleagues.

Is he a "cold monster," as some critics of the Swiss system would portray him?

Q—With the multiplication of government controls on banks, the money supply and the economy in general, do you see the end of the laissez-faire system

under which Swiss banks operated so successfully in the past?

Mr. de Weck—Certainly. Your analysis is correct. But experience has shown us that we can operate just as well with a degree of government intervention as we did without it. Most of these measures to protect the interests of depositors and prevent the Swiss franc from becoming an international currency are approved by the banks even if they are sometimes disagreeable. The measures to combat inflation were also mostly justifiable, although restrictions on credit hurt us a lot and we think they were contrary to market interests. Another measure we didn't like was the Central Bank intervention on mortgage rates which we think should be governed by the laws of the market. But last year, when all these measures were in place, our big banks turned in their best performance to date.

Q—But wasn't this due to the high level of foreign activity, perhaps at the expense of domestic operations?

A—International activity was certainly favorable to the big banks last year. But, admittedly on a lower level, other Swiss banks also had a good year. We attach great importance to the development of our international activity, but we also want to play a large role in the Swiss economy without crushing local banks—we are now very prudent in this area. But our essential activity remains abroad and for this it is necessary to separate the Swiss capital market from the Swiss franc. We think that this can be done, just as London remains the largest capital market in the



Philippe de Weck, of Union Bank of Switzerland.

world without using sterling. Obviously it is easier in Britain because in most cases clients are reticent about going into sterling whereas here in Zurich everybody wants to get into Swiss francs and we have to set up roadblocks to stop this. But experience has shown that these barriers are efficient, and that the clients still come in, attracted by our know-how as large international banks.

Q—The big banks have a huge turnover in relation to the Swiss economy. Many people think you are too big already.

A—We think the economy prof-

'It is evident that in the Swiss economy there are a certain number of people heading large enterprises who have greater influence than others.'

There is also a degree of interpenetration at board level between

banks and industry. Industrialists make up the majority of our boards,

giving us a solid grounding in the realities of the business world,

and on every board of an industrial enterprise of any importance

there is a banker bringing the necessary financial know-how. What is

important is that there is no financial penetration.'

its from the presence of a few large banks, and we contribute significantly to the balancing of Switzerland's commercial deficit. You may say that in 1975 there was a 7-billion Swiss franc positive balance of payments anyway. But swings in the commercial balance can be very abrupt and a reserve from the service sector is a source of extraordinary equilibrium. Most countries would be happy to have it. I do not agree that banking or the service industry in general is overdeveloped with respect to the domestic economy. I have no pretensions to make Switzerland an essential-

ly service-oriented country, but we have a vocation in this area and the banking business suits us well. With regard to the big banks, we have a few multinational companies here of worldwide importance, and it is a good thing they have domestic banks which are of their dimension; otherwise they would have to seek banking services elsewhere with interests which are not always in line with their interests. In the country in general we have a big role to play: that of holding up the economy during a period of difficult adaptation.

Q—It is sometimes suggested

that the big banks and big industry in Switzerland really run the country. What do you feel?

A—It is evident that in the Swiss economy there are a certain number of people heading large enterprises who have greater influence than others. There is also a degree of interpenetration at board level between banks and industry. Industrialists make up the majority of our boards, giving us a solid grounding in the realities of the business world, and on every board of an industrial enterprise of any importance there is a banker bringing the necessary financial know-how. What is important is that there is no financial penetration. Industrialists are not shareholders of our banks—the largest Union Bank of Switzerland shareholder has a stake of less than one per cent. On the other hand, bearing a few special situations such as a strong position in Saurer because we wanted to avoid the company getting into foreign hands, the banks have no heavy stake in industry. There is close collaboration in the interests of all, just as there is excellent collaboration between ourselves and the federal authorities. I go to Bern to participate in the work of several federal commissions, and discuss the financing of airports with Mr. Jolles. But the authorities do not depend on me and I do not depend on the authorities. It is collaboration, not dependence.

Q—But everything seems to hold together. Would you say this is government by consensus?

A—It is not based on anything else—only consensus—it is very characteristic of Switzerland and appears to work well.

Q—Doesn't it tend to maintain in place a certain elite?

A—The important thing is that this elite renews itself sufficiently and that the weak are eliminated. The system would be bad if it protected incompetence with everyone leaning on everyone else.

Q—How do you respond to the accusation, sometimes levelled at the big Swiss banks, that they

exercise discretionary power abroad and sometimes help to prop up rightist regimes?

A—We do have commercial and financial relations with certain of these regimes. But we have the same good financial relations with Cuba and other Communist countries as we do with South Africa—proportionally, that is. Our principle has always been that only economic questions play a role and we do not engage in politics. We are as open to relations with leftist regimes as we are with so-called reactionary regimes.

Now, as to the weight of our influence this obviously depends on our activity as an international financial center. Until now a country like South Africa has had no difficulty in placing international loans and encouraging foreign investment, and much of this has transited through Switzerland. If the climate changes, our possibilities will be reduced.

With South America the problem is typical: international confidence is often not sufficient for us to be able to place loans. That is the base of the problem. For each country we have an upper limit of activity so as to spread risk around sufficiently: for South Africa just as well as for Cuba.

Q—Are these relations solely on the level of business or do you have a moral responsibility in the evaluation of regimes?

A—We see a moral side to the business. For example in the field of arms sales we are extremely reserved. We don't get involved unless the deal concerns Swiss arms exports which, as you know, must be authorized by the government and are destined for countries where there are no problems. Secondly, we do not get involved in operations that seem to us to be dishonest. But we make no appreciation of political regimes and refuse to do so. We can no better judge Fidel Castro or Mr. Vorster. We cannot draw a line between the good and the bad in political affairs.

Q—Is it possible to draw a line between good and bad when it comes to people putting their money into Swiss accounts?

A—In the very large majority of cases the banks have no way whatsoever of evaluating the origin of this money. No other bank in the world could do this either. There may be transactions where we can see that the money comes from dubious sources. If a South American dictator arrives with a huge sum of money, this is visible and we don't want anything to do with it. But in most of the cases it is not visible.

Q—Do you think that present legal laws, and particularly the draft law before parliament to repress fiscal fraud, will help to clean up a tacky situation?

A—There has been a certain change in public opinion, and we agree with this draft law as it is now presented. Deliberate fiscal fraud will become a penal offense and banking secrecy will not protect the culprits. We agree with this absolutely: we do not want to protect people who

falsify their accounts. force of circumstances. No longer any protection kind of activity inside the try, we would not provide tax evaders either. But a law adds nothing new. The Supreme Court has already that deliberate tax fraud criminal offense and the ing secrecy could be in these cases.

But we are still proud to banking secrecy. We fought in this draft the obligation of the the request of the State wide information on the out obtaining their permission. Had this been we would have gone, we would have a referendum and are that the Swiss people have put up with it.

Q—Wouldn't a little transparency help to the more suspect deals?

A—The only difference it this money is from American bank, the fact that his name might to the authorities. knows that it will not it is purely subjective. the impression that Switzerland things are more secret than in States.

Q—Don't some Swiss launder dirty money?

A—I think such are absolutely unjust. affairs there is a ing secrecy. Any of the world can notify a judicial system of the a criminal investigation movement of money. Swiss banks can be full by step. In the first this problem stems from that countries have no encourage nor the legal has to prosecute them. tional. It is a joy to in the bank's books in cas inak. I am delight time it happens. I ha ing in investigative cerning drug traffic books are open and if get them arrested it is a This summer one of in the "Ticino" indic doubts on some exha tions. We immediately ed the authorities, and now we got the win "This moment it is a matter there is no whatsoever in this: ou the Ticino case we initiative in denouncing ution. It was so obv were changing line agai

Q—Didn't that go Swiss banking secrecy?

A—No. We consider didn't. We go very area. It was probab coming from the Mail don't see the Mafia is for breaking Swiss secrecy. I, and man fellow bankers have interpretation of bankin We want to collabora fight against crime. E we can give informa cerning criminal activi viding our accounts. with great pleasure.

Stock Markets' 'Friendlier Mood'

ZURICH (IHT).—There is, as one bank put it, a more friendly mood prevailing on the Swiss stock exchanges.

This has been expressed by a sharp rise (42 per cent) in stock market indices, which last year outperformed every major market except London and Sydney and, in domestic terms, performed better than in any year since 1967.

There was also a very significant increase in trading on the three major Swiss exchanges—Zurich, Basel and Geneva. Trading volume, in market value terms, rose from some 50 billion francs in 1974 to 83 billion last year on the Zurich exchange, and was up by 64 per cent in Basel, and probably by a roughly similar amount in Geneva, although no figures other than the number of deals (up 10 per cent) are available there.

The movement of the market was sharply up in the early months of the year after a lengthy period of consolidation. As might be expected, the banks, followed by the insurance companies, outperformed every other sector. But the larger-sized industrial companies have followed the general upward movement, and the market is now getting a broader base, with medium-sized enterprises also performing well. Registered shares have been very firm, particularly of late, and in some cases have even done better than bearer shares, indicating increased interest in the market on the part of the Swiss investor.

Capital Liquidity

The generally positive trend of the Swiss market depends on a variety of factors: sparked perhaps by the high level of activity of Swiss banks, it has been largely encouraged by the liquid state of the money and capital markets,

by the stronger performance of markets in other countries and, finally, in anticipation of a sound recovery of Swiss industry as the recession draws to an end. Right now the market is a little nervous as it awaits sure signs that the second half of this year will, in effect, see a reasonably marked upturn in activity.

Impressive as was the performance of the overall index last year, it should be noted that the 289 points of the year-end Swiss Bank Corp. general index (1958=100) was still well below the levels reached in the period 1968-1973. This would indicate that, given the right conditions, the market still has a long way to go in its presently basically bullish mood.

Another feature of the Swiss market is the preponderance of the 10 largest Swiss companies which together account for more than 70 per cent of total Swiss share values—a situation surpassed only in the Netherlands, where the 10 largest companies account for nearly 75 per cent of total market capitalization. Of the 10 big Swiss companies, three are banks, while insurance and pharmaceutical companies account for two each, and the largest of course, Nestlé, which at 6.46 billion francs accounts for a full 15 per cent of total market value.

Taken together, these companies account for 39.27 billion francs out of a total market capitalization of 42.20 billion. It is a fact that should be borne in mind when taking the overall stock index as a guide.

Thus while the general index was up by 42 per cent on the year, the market was in effect very selective. The increase in the market values of big banks (up to 80 per cent) was very pronounced, but of the 153 Swiss shares quoted on the Zurich house only 14 rose by 40 per cent or more in market value,

and some 40 shares, in the industrial sector, declined.

The trend toward a reduction of market activity in the industrial sector is also seen by the fact the 10 largest companies mentioned above, six also the list of 10 companies highest number of quoted Swiss exchanges during

The Swiss bond market were 1,454 Swiss and 2 bonds listed on the Zurich last year) was also we stimulated by vigorous growth activity and by interest rates. In clients showed a lively for Swiss franc and four denominated in dollars, guilders, and in the year interest defined as short and medium-term long-term bonds.

With regard to new bond exchange, the first of 1976 saw 32 for rowings with a nominal 7.8 billion francs as we million-and 300 million marks. Overall, the net of listed bonds grew by per cent and in nominal amounted to 75.7 billion of which 58.3 billion in Swiss.

The generally improved climate also had an impact on Swiss money particularly those come on Swiss shares or bonds tended to rise quite hea the interest of the invest he was reflected by the of new units issued, estate-oriented funds, on hand, tended to perform in both respects. Those reged in common by the Credit Bank and the S Corp. saw a decline in value of some 5 per cent last year.



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Information available also directly from the Head Office: Swiss Volksbank, Bundesgasse 26, CH-3001 Berne, Switzerland



Handwritten signature or stamp at the bottom of the page.



Overemployment Picture Slides Into Gloom

IN (IRT).—For years Swiss employment statistics were subject of gentle laughter, occasional tongue-in-cheek jolliness. As recently as 1974, one might have seen a catching headline: "Swiss employment Nearly Triples in Month," only to find that a labor force of nearly 1.5 million, had risen 92 to 248.

the previous year the average number of unemployed was 81, with more than 100,000 vacancies available to them.

extremely tight labor market typical of the 1960s, and average Swiss could hardly imagine that the sharp rise in the autumn of 1974 marked the end of an era.

By the end of last year there were more than 26,000 registered unemployed, and the figure rose to 32,000 in February of this year. A grim situation emerges when one cares to look behind these figures.

Lower Hours Worked

downturn in economic activity, besides, partly because of a reduction in the number of hours worked in several industries and by some hoarding of employees who were reluctant to lay off a part of their force for fear that when improved they may not be able to find employment on their machines.

employment, virtually non-existent for a generation, has now reached significant proportions. It affects all age groups and is felt all over the country. It hits particularly the metalworkers, workers in commerce, administration, those in the making and jewelry industries and those in building and engineering.

to special circumstances,

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of the 1960s, and the average Swiss could

hardly have imagined that the sharp rise in the

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26,000 registered unemployed, and the figure

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grim situation emerges when one cares to

look behind these figures. Total employment

in Switzerland, which was on the wane in

1975, may in fact have declined by some

7 per cent last year.

however, the drop in employment levels in Switzerland has been accompanied by a steep decline in the official estimates of the labor force. This was cut back last year by about 4 per cent for a variety of reasons which have all contributed to cushioning the impact of the recession in Switzerland. In the first place, there was a certain fall-out due to the decline in the natural rate of population growth. Second, many workers who were employed beyond the retirement age withdrew from the labor force, and others were encouraged to accept advanced retirement. Also, women who lost their jobs decided to stay at home rather than look for alternative employment. But all these reasons amount to very little compared to the contraction during this period of the foreign labor force in Switzerland.

In one year, from August 1974, to August 1975, 107,000 foreigners

packed up and went home. Of this total, 30,000 were workers with permits to stay in Switzerland a year or longer, 68,000 were seasonal workers who were not replaced, and 11,000 were border workers living in neighboring countries and crossing the frontier to work in Switzerland.

The decrease, or rather the fact that these foreign workers were not replaced in the Swiss labor market, is the result as much of tougher Swiss immigration laws as of the recession. From August 1975 to July 31 this year, the federal authorities have provided no new quotas of one-year permits, and the number of seasonal workers has been set at 145,000 for the same period, instead of 182,000 a year earlier.

Although they have not been easing foreign workers out of the country, and cannot be accused of simply exporting Swiss unemployment, the authorities have been taking advantage of the economic conditions, and the attrition of the labor force which has resulted, to achieve what they have been attempting for years—a significant reduction in the overall number of foreign workers in Switzerland.

Previous efforts, under conditions of unprecedented economic boom when every employer was snapping up every worker he could lay his hands on, were both distinctly unpopular and of mitigated success.

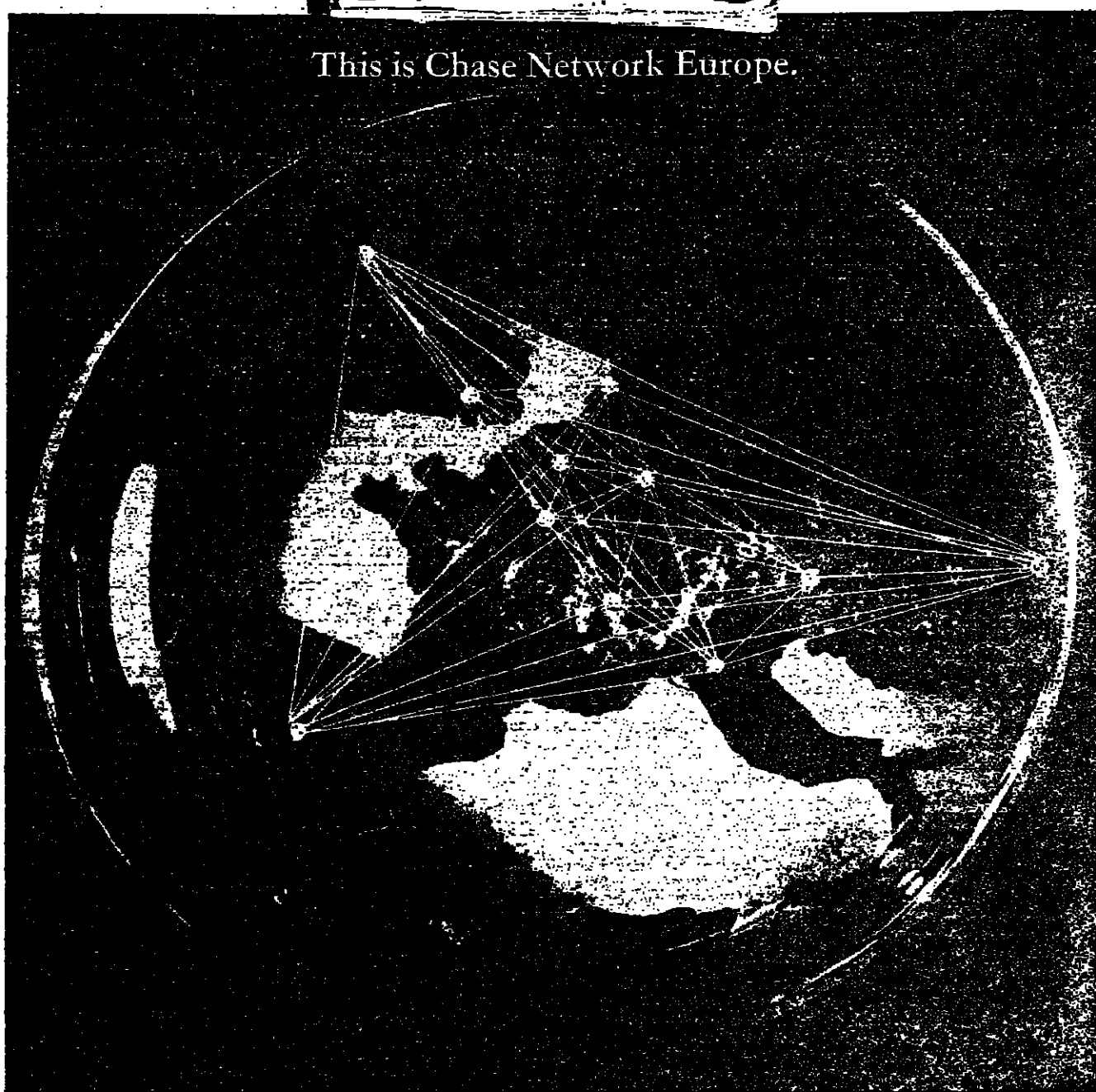
The crunch will, of course, come with an economic upturn. The labor market will presumably absorb the presently registered unemployed reasonably quickly, and industry, in the scramble to make up for the lean years, will start calling for more workers rather than investing further in labor-saving equipment.

Watch Industry

But for certain industries, the changes in the pattern of employment have come at a time of fundamental structural adaptation. Solid-state technology is putting the Swiss watch industry through the greatest upheaval it has known in this century, and the result will, almost inevitably, have to be a far less labor-intensive production. With regard to the building and civil engineering industries, which in the past have employed a high proportion of foreign labor, most people in Switzerland would agree that the rate of construction (and, sadly, destruction to make way for the new buildings) has been excessive. The very sharp slowdown experienced in this sector surely heralds a more modest medium-term future.

Of greatest importance, perhaps, is the potential improvement in the social climate. Themselves made up of four linguistic groups with wide cultural differences, the Swiss are probably far more tolerant than most nations. Certainly no other country has been put through the test of having a third of its labor force made up of foreigners. In recent years, Swiss reactionaries have bawled heavily on this situation, further souring an already tense situation. The circumstances of a significant modification in this relationship are perhaps unfortunate, but the result is something of a relief to more Swiss than would care to admit it.

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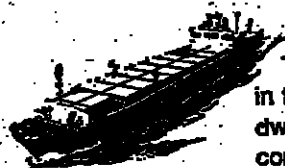
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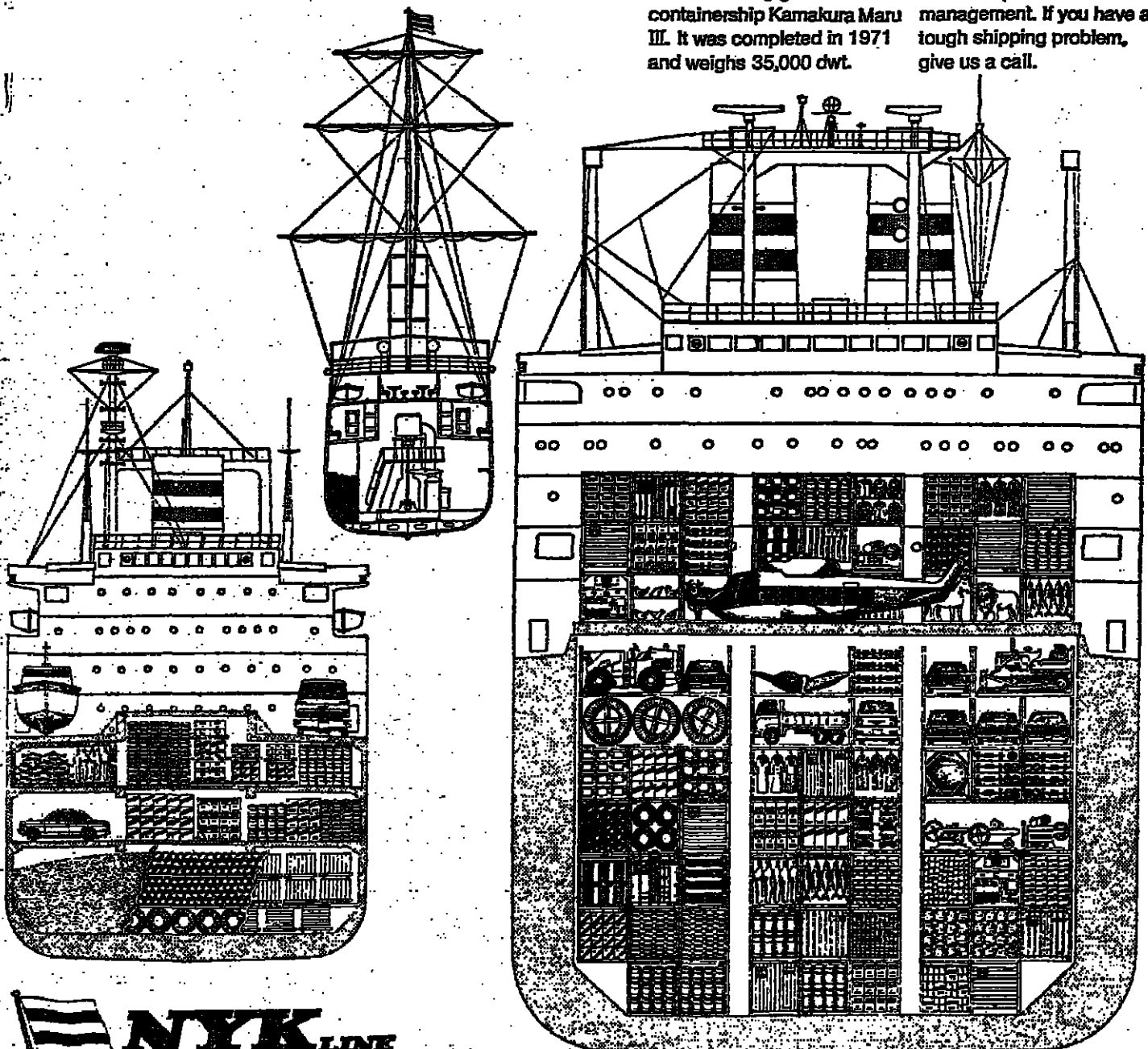
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Decentralized Watch Industry Is Worried by Japanese, U.S. Rival

BIENNE (UET).—For generations Switzerland has enjoyed an awesome lead in the manufacture and sale of watches worldwide. Last year the Swiss industry again accounted for more than half (53.3 per cent) the international trade in watches. The nearest rivals, Japan and the Soviet Union, had less than 14 per cent each of the world market, while U.S. exports of watches were a mere 0.7 per cent.

The Swiss have always kept a watchful eye on Japanese performance, and are particularly wary about the implications in the electronic age of the structure of the Japanese industry. Highly concentrated and vertically integrated, Japanese production—few companies but with enormous output—provides a stark contrast with the Swiss way of doing things in a highly fragmented industry.

The economies of scale that the Japanese have been managing in recent years have been a source of concern among Swiss watchmakers, and indeed have provided the impetus for considerable moves toward greater concentration in the Swiss industry. But there are still more than a thousand firms scattered throughout the watchmaking region—essentially the French-speaking Jura areas of western Switzerland.

There are manufacturers of movements, including Ebauches Ltd., which produces more than 50 per cent of all Swiss movements; manufacturers of components (pointers, cases and dial plates); companies which buy and assemble components; companies with a very low output of highly priced watches; and firms concentrating on the mass production of the cheap "Rokopt" type watches. Some are still paternalistic, family owned businesses, others are more streamlined. All have pride in their traditional know-how and are generally loath to be drawn into mergers and other moves aimed at lowering production costs.

Unexpected Terms

Ironically the challenge which has resulted in the greatest turmoil in the Swiss watchmaking industry for generations has come not from where it was expected—the cheaper Far East producers—but from the puny, in timekeeping terms, United States.

Booming sales in the 1960s encouraged the Swiss watch-

makers in their traditional conviction that watches had to have hands and tick merrily through the day. Although Swiss research engineers were showing the way, manufacturers were slow to move into the age of electronic timepieces, and appear to have largely missed out on the solid state technology which has produced the digital watch.

These are both inexpensive and challenge all the basic concepts of watchmaking. But they are a dangerously fast-selling item. Of the more than 4 million digital watches produced and sold last year, fewer than 500,000 were manufactured in Switzerland, and the bulk came from the United States.

For the Swiss this was the unkindest cut of all, for although

the United States, which absorbed 18.2 per cent of Swiss watch exports last year, is still the largest client country, sales were off by 40 per cent in this market over the previous year. The result is a scramble to get into the digital business on the argument that it is better late than never, and a heavy reliance on U.S. solid-state know-how.

Time Will Tell

Only time will tell whether this gamble pays off, but it seems likely that the Swiss watch will never quite be the same thing it has been for generations. Most of the skills of watchmaking do not apply to this new breed of timepiece, and once the highly skilled Swiss

work force is dispersed it will be hard to reconstitute it again.

Ninety-seven per cent of Swiss watch production is exported, and the very sharp decline of sales abroad—down by some 23 per cent overall—has already taken its toll on the work force. About 16,000 mostly highly skilled employees have had to relinquish their jobs in the last 18 months, and more than two-thirds of the remainder are reported to be on short time.

Unemployed watchmakers make up a sizable part of the total Swiss unemployment and, acutely aware of the difficulties of this industry, the government has gone about as far as it can in declaring watchmaking country an industrial disaster area.

The problem of Swiss watch-

making—and a question mark now hangs over the whole industry—stems from a combination of factors. The most obvious of these is the drop in worldwide consumption associated with the recession, combined with the unprecedented revaluation of the Swiss franc which has priced the watchmakers out of a large part of their established markets.

When weighed against the average appreciation of the franc in the last four years, it can be argued that Swiss watch exports have held up surprisingly well, at least in some areas. Unfortunately, with an annual production of 79 million watches (40 per cent of the world's total) this is not good enough.

The inability to streamline the industry is also an important rea-

son for the downturn, and finally there is the new technology to cope with, at a time when substantial funds are locked in unfinished goods or rising stocks of completed watches, when turnover is down and when the industry is having increasing difficulties in collecting from its far-flung distribution network.

The digital watch, if it is here to stay, will mean higher productivity and a reduced labor force. But it is based on economies of scale of the kind that the Swiss are not yet fully attuned to. What is needed, says a leading watchmaker, is open-mindedness, mutual understanding and solidarity—qualities which have not exactly been the hallmark of the Swiss watchmaking industry in the past.

The Machinery Industry's Order Book Shows a Decline

The machinery, metalworking and apparatus industry provides work for almost half of those employed in Swiss industry. It is also the most important sector in terms of total value of industrial production and the number of factories. These will be concentrating heavily on consolidating markets abroad where this is possible, and further strengthening those few . . . which have been buoyant in the last few months.

ZURICH (UET).—The vital statistics for the machinery and apparatus branch of Swiss industry is the level of new orders. The one feature common to a broad sector covering textile machinery, machine tools, locomotive engines, steam generators, electric and electronic equipment, printing presses, telecommunications and a host of other areas, is the relatively long time span between order and delivery. Current turnover and export figures are a reflection of what the market was like eight months ago.

To note that exports for the branch as a whole increased by 6.7 per cent to 13.4 billion Swiss francs last year does not mean that by some miracle it escaped the recession, although it does mean that the branch contributed very handsomely to Swiss income from exports. It accounted for some 40 per cent of the overall trade turnover.

But, to get back to orders, it seems that the foreign order book declined by 17 per cent last year, and the domestic order book by 33 per cent. This reduced the order backlog by about one-fifth and will undoubtedly mean further short time and layoffs this year. This would appear inevitable even if orders bounced back on a strong recovery in the second half of 1976, and the significance for the prosperity of the country as a whole cannot be ignored.

The machinery, metalworking and apparatus industry provides work for almost half of those employed in Swiss industry. It is also the most important sector in terms of total value of industrial production and the number of factories.

Consolidating Markets

These will be concentrating heavily on consolidating markets abroad where this is possible, and further strengthening those few, like the Organization of Petroleum Exporting Countries, which have been buoyant in the last few months. Deliveries to clients in industrialized countries declined last year by nearly 10 per cent to 72.1 per cent of the total exports

for the sector as a whole. The share of other countries as markets for Swiss machinery increased from nearly 24 per cent to nearly 28 per cent. Sales to OPEC members jumped by 75 per cent, although admittedly from a rather small base. In 1974, Swiss sales to these countries amounted to 592 million francs. Last year they rose to 1,037 billion francs, with Iran by far the biggest client.

While this is a particular feature of last year's performance, there is also a clearly marked longer-term trend for the share of the traditional industrialized client countries to decline. The European Economic Community absorbed 44.6 per cent of Swiss

machinery exports in 1973, 42.4 per cent in 1974 and 40.2 per cent last year. In the same period North America's position slipped from 9 per cent to 7.7 per cent.

Asia, Africa, South America and the Common countries are the present growth areas and, in the further development of these, the industry is counting on such assistance as the government can provide through monetary, financial and foreign trade policy.

Trade diplomacy, financing and export credits are all designed to help Swiss exporters meet their foreign competitors on as near to equal terms as possible. Of particular importance is the government's export-risk guarantee. Between 80 and 90 per

cent of the total value of invoices guaranteed under the plan stem from the machinery industry, which last year had a total bill under guarantee of some 9.25 billion francs.

Strong Hold Continues

The position of machines and mechanical appliances, although preponderant (62.2 per cent) in the overall export picture of the branch as a whole, has been slowly declining, with the further development of electro-technical machines and appliances. But Switzerland's traditionally strong hold on the market for steam generators and turbines appears to continue. In any case, after a rather poor 1974 result, exports for these products bounced back with an increase in sales of some 69 per cent.

The overall prospects for the Swiss machine industry are characterized by Piero Hummel, managing director of Brown Boveri, as "certainly not catastrophic, but nevertheless fairly gloomy." One can be certain, he said, that great efforts will be necessary to avoid a further deterioration in the situation, or at least keep it within bounds.

The domestic market is called on to play a role in this effort by paying greater attention to the employment aspect when placing future orders. The industry itself is exhorted to show greater imagination, perseverance,



Wheel of a hydroelectric turbine.

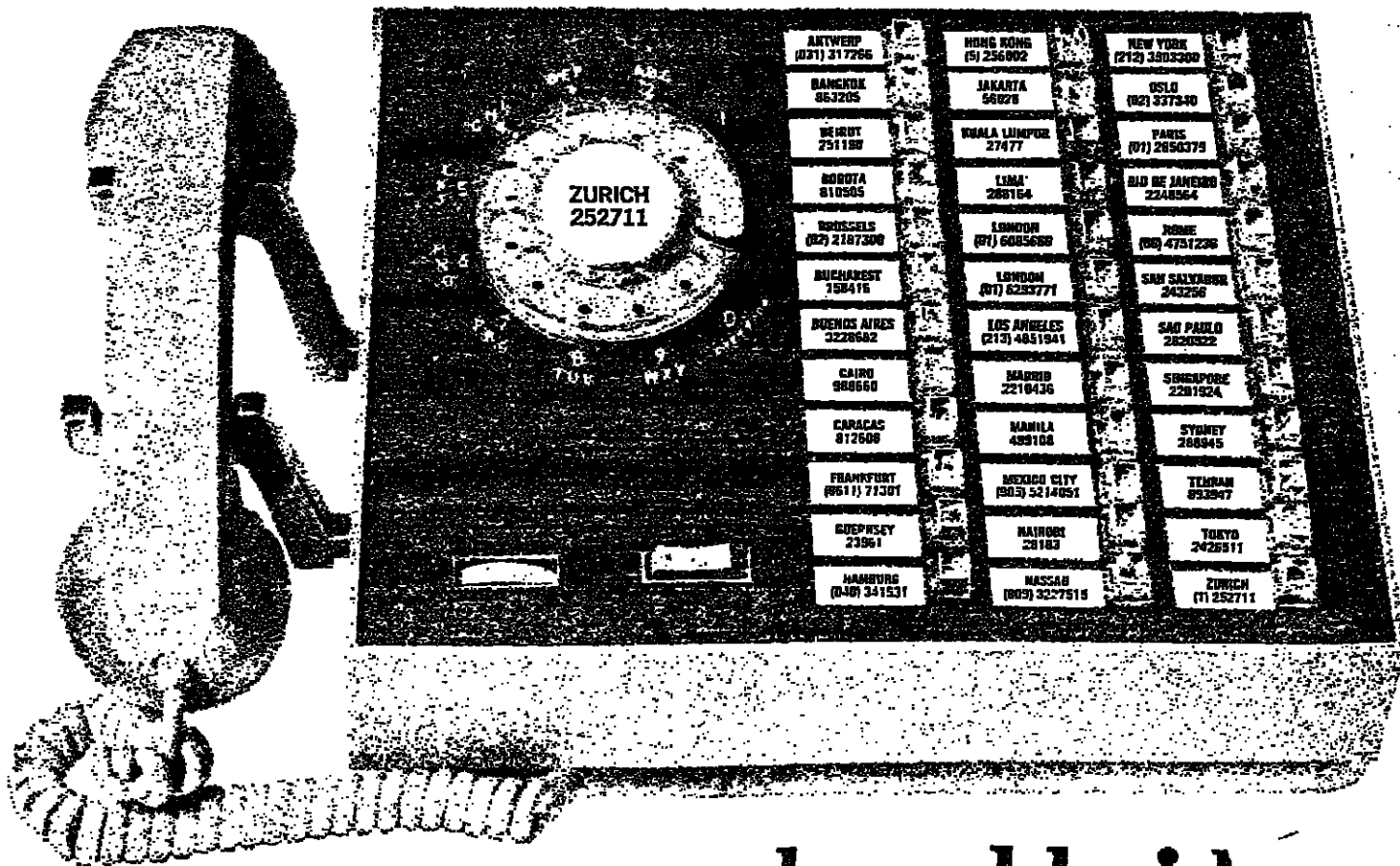
a readiness to assume increased risks and a willingness to adopt unorthodox approaches. And Swiss trade unions are invited by Mr. Hummel to show insight and prudence.

"If the Swiss machinery, metalworking and apparatus industry is to be brought through its present difficulties with as little damage as possible," he said, "this

is hardly the right time for general reduction in working hours, additional welfare for unemployed or unrealistic demands for employee participation."

On this last point, Mr. Hummel seems to have prevailed. The Swiss electorate earlier this year turned down a new alternative proposal concerning worker participation.

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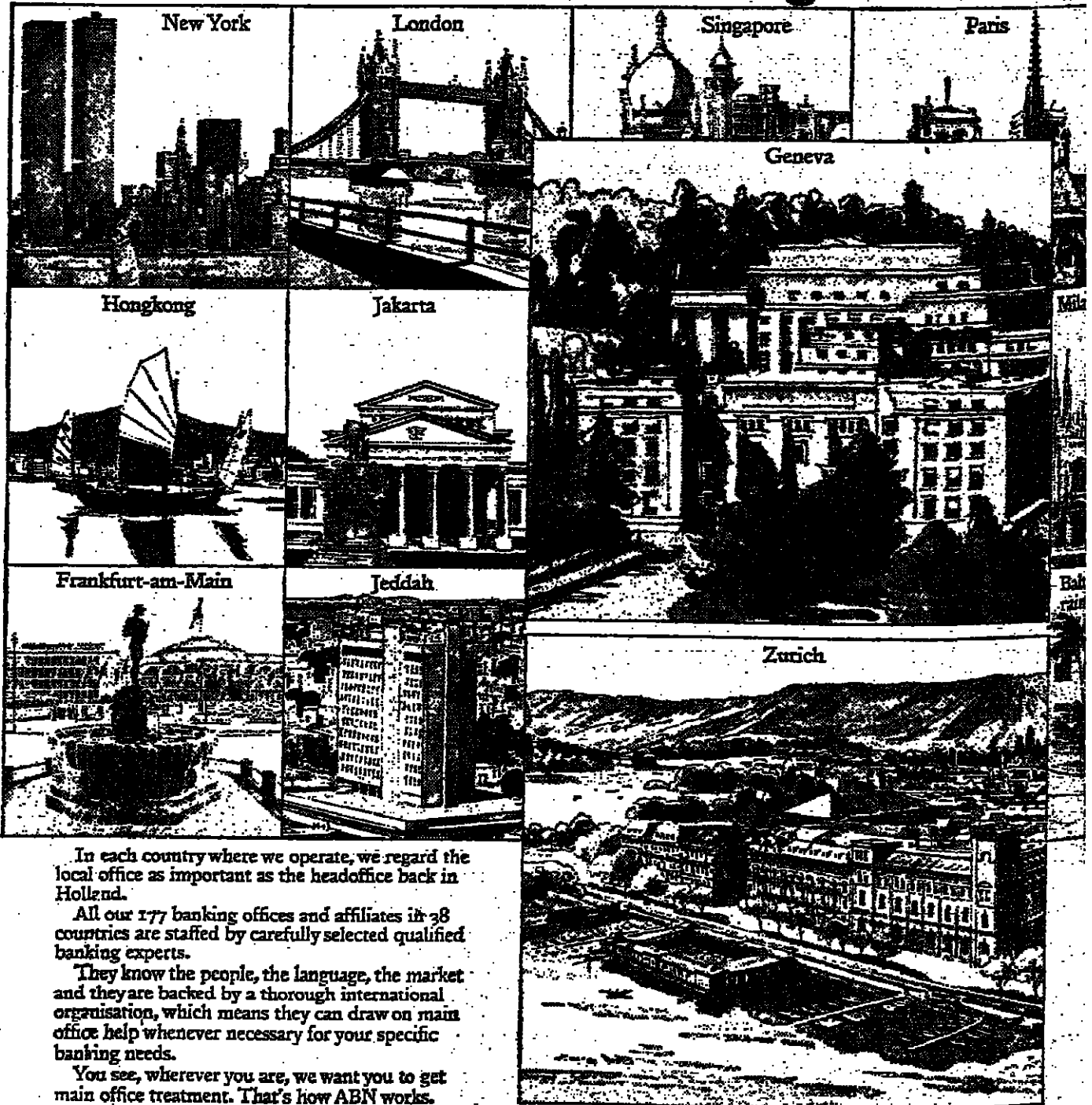


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Tourism's Considerable Achievement in Nearly Holding the Line

CH (HT)—As is perhaps for a country which is the birthplace of the Swiss service industry, Switzerland's per capita income from this service industry, \$30 Swiss francs, is the highest in the world. If measured in terms of gross income, tourism ranks seventh among European countries.

A miracle, if there is one, is that the country has managed to hold its own in the face of a decade of years despite the decline in tourism and the very steep rise in the cost of living here due to the revaluation of the Swiss franc.

During a period in which the average appreciation of the Swiss franc against major currencies rose from 10.2 per cent in 1974 to 45.5 per cent in 1975, Swiss tourism declined by only a few percentage points in terms of over-stays, and gross turnover stayed more or less at the level.

Overnight Stays

Statistics provided by the Swiss National Bank and applying to the hotel sector only (to the exclusion of the so-called parasitism in chalets, vacation apartments etc.) indicate that the number of overnight stays dropped from 36,430,000 in 1973, to 35,000 in 1974 and 33,579,000 in 1975. In percentage terms, the amount declines of 4.73 and 3.19 respectively. Since the number of available beds increased slightly during this time, in 1975 there were 290,196 available in 7,027 establishments, the level of occupation slipped from 36 to 33 per



The village of Candria on Lake Lugano.

cent. But the latest December and January figures are essentially the same as a year earlier, perhaps indicating that the downward trend has now stopped.

The renting of chalets and vacation apartments, on the other hand, is believed to have increased in the last two years and now accounts for more than 50 per cent of total overnight stays.

About 400,000 beds are available in this sector.

As the director of the Swiss National Tourist Office, W. Kaempfen, said, this performance is highly satisfactory compared with falls in the watchmaking and construction industries.

It has been achieved, however, at considerable cost to the hoteliers. Earnings deteriorated

again last year, as hotels attempted to respond to an increasingly price-conscious clientele by keeping prices stable or even lowering them despite rising costs. It is reported, though in the context of Switzerland this might be taken with a pinch of salt, that some hotels catering to guests from weak-currency countries even offered arrangements that

did not cover costs. There has definitely been an effort to freeze prices, sometimes at the expense of service. At least one Swiss hotel is offering extremely low rates for people who are prepared to make their own beds in the morning.

Travel Tourism

Mr. Kaempfen noted that recreational tourism, including traditional summer and winter family vacations, has hardly been affected by the recession, while "travel tourism" has declined considerably. When in doubt and with thinner wallets, people plump for rest and relaxation rather than the excitement of lightning visits to exotic places. Winter vacations seem to have been particularly in favor in the last couple of seasons, almost making up for the losses experienced during the summer.

Although recessionary forces hit tourism rather later than other sectors, and the time lag also applies to an upturn in the economy, forecasts for Swiss tourism this year continue to be reassuring. If there is an economic recovery in the second half of the year, it is expected that the industry as a whole will manage to do at least as well as last year, if not better—with, possibly, a boom in the winter season, snow and sun permitting.

The number of employees in the hotel industry has fallen by 2.5 to 3 per cent, and there is a shortage of qualified people, but the infrastructure for tourism in Switzerland is excellent. The accent in the brochures is on "vacationing rather than traveling through." Considerable efforts have been made in recent years to encourage the foreign visitor away from the traditional tourist centers and into the countryside. The realization that Switzerland had more to offer than its lakes, cities and impressive Alps was linked, of course, to an awareness that people wanted simpler, more family-oriented vacations. The less-frequented regions—the woods and the pastures of the Jura and northwestern Switzerland—have generally fared better than the traditional tourist centers such as the Valais Canton, Lake Geneva and central Switzerland.

The search for simplicity also



Wetterhorn mountains look over the Gental valley in the Bernese Oberland.

has the attraction of more reasonable prices.

It may also be true that pollution is a trifle less evident in these areas. Switzerland is still a clean country by any standards, but with embarrassment and alarm the authorities have recorded a steady deterioration in the quality of the major lakes. The construction boom of the last

20 years has, in the eyes of many, destroyed much of the character of key Swiss cities. Besides, the Swiss, increasingly concerned about environmental issues, have begun to express justified misgivings over the "pollution" of the natural beauty of the Alps as a result of the excesses of real-estate speculators and others.

The criticism, to which the

federal authorities have been responsive, is that the scramble to build more hotels, chalets, vacation apartments, with all the necessary infrastructure of ski-lifts and cable cars, was in some areas at least leading to exhaustion of the one major asset that Switzerland has—and a key for the tourist business itself—raw nature.

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(For a better idea of what we can do, write us for a copy of our booklet, *Bankers Trust in Europe*.)

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[illegible]

Debate
Whether

With earnings of \$82.2 million per share, on revenues of \$1.1 billion, 1975 was the second best in company history—and the 31st consecutive year of higher dividend payout. Major business areas are oil, gas, land transportation, telecommunications, services, utilities, industrial products, and agribusiness.

**All coupons must be received no later
June 21, 1976.**

مَدَامِي الْاَصْل

...and the

Euromarket

continued from Page 19.

the London interbank of-
fice (LIBOR) for six-month
dollars. In the first year,
it will carry a minimum
of 7 1/4 per cent, there-
minimum guarantee there-

the same time, Union de
Arabes et Françaises is
\$25 million in a classic
rate note with a guar-
antee that the coupon will
never be lower than 7 1/2 per cent
the five-year life of the
a quarter of a point over

\$75 million of seven-year
for Lloyds Eurofinance,
guarantees a minimum of
per cent, were sufficiently
described to allow managers
venue the closing date of

Général de France, which
red the no-minimum-guar-
antee, sold its \$75 million
e-year notes at par. It
a coupon of 7 1/2 per cent
the first year; thereafter it
set at a quarter point over
Both the SOGen and
loans were oversubscribed
oversubscribed is the \$50-
15-year convertible loan
of Japan. Managers
rule out a cut in the coun-
tially offered at 6 3/4
nt—or an increase in the

on offer from last week
is \$80 million of five-year
for the Montreal Urban
unity, expected with a
a of 8 3/4 per cent, and
Lines \$20 million of five-
notes carrying a coupon of

50-million, 10-year loan for
floated in New York with
ad syndicate of European
will also be attracting in-
terest here. The bonds,
five investors the option
can at par after five years,
ected to yield around 10
nt.

y one issue is on offer in
Canadian-dollar sector, a
15-million, seven-year loan
the Quebec Urban Com-
pany expected with a coupon
3/4 per cent. An unusually
31 banks are co-managing
sur. Six other banks that
edly dropped out over ob-
as to a selling-group con-
m of 1 1/4 per cent, down
the normal 1 1/2 per cent.

mercial Credit Corp. was
to elicit the size of its
loan by \$Can. 5 million
an. 20 million in the face
or investor demand for
loan-dollar paper. The is-
as priced at par with a cou-
9 3/4 per cent but was
d at 97 7/8 bid in subsequent
ity in the deutsche mark
is subdued, bankers report,
quiet over the outlook for
at rates. The Bundesbank's
increase in minimum
e requirements may force
up, it is feared.
pipe is offering 100 million

DM for 12 years with a coupon
of 8 per cent. An issue
of around \$9 1/2 is expected. The
previous 12-year issue for Norsk
Hydro, also carrying a coupon
of 8 per cent, is currently trad-
ing at par.

Mexico is also in the market,
seeking 100 million DM for seven
years with a coupon of 8 per
cent. Early indications are that
this paper will be somewhat dif-
ficult to place.

The next offering is scheduled
to be made for Finland followed
by the City of Kobe, which will
carry the guarantee of Japan.

Only one issue was priced last
week—at 100 1/2—for Norges
Kommunbank, which sold 100
million DM for five years, with
a coupon of 7 per cent. The terms
were identical to those arranged
for Norway last month.

In the Mideast market, Cie.
Nationale Algérienne de Naviga-
tion, guaranteed by the Banque
Extérieure d'Algérie, is floating
a 10-year issue of 7 million

former Washington lobbyist,
Claude Wild Jr. Tax law viola-
tions, however, come under a six-
year statute of limitations.

Between 1950 and 1973, Mr.
Wild directed the distribution of
about \$5.4 million in cash to local,
state and federal political candi-
dates, according to an internal
Guilf investigation. Court records
indicate that he made his last
illegal cash contribution in June,
1973.

According to the court records,
Mr. Wild received about \$1.1 mil-
lion in cash to give to political
candidates in the period covered
by the tax inquiry. At least
\$400,000 of that, according to in-
formed sources, went to still un-
identified members of Congress.

Sen. Scott's Status
A focus of the prosecutor's in-
vestigation has been the allega-
tion that Senate Minority Leader
Hugh Scott, R-Pa., received cor-
porate money from Mr. Wild
from 1963 to 1973.

A court deposition filed last
November alleged that Mr. Wild
gave Sen. Scott \$5,000 each
spring and fall "for a personal
matter or for some office matter."
Sen. Scott has maintained that
any funds he received were for
political purposes and that, to
his knowledge, "no corporate
funds were so received."

In January, Mr. Wild was
given immunity from prosecution
for his testimony before the
grand jury on the alleged pay-
ments to Sen. Scott.

The transcript of that grand
jury appearance has been sealed
and a court order bars any dis-
cussion of it by Mr. Wild or
his lawyer.

Results Analyzed
Since 8 in 10 younger couples
were using such methods in 1973,
there is "every reason to believe"
this proportion has continued to
increase, concluded Dr. Charles
Westoff, who analyzed the results
of the survey conducted by the
National Center for Health Sta-
tistics.

Dr. Westoff, director of the
Office of Population Research at
Princeton University, predicted—
on the basis of the new findings—
that "we are rapidly approaching

Kuwaiti dinar (about \$31 million)
with a coupon of 8 3/4 per cent.
In the syndicated loan market,
Electricité de France is reported
to be seeking to arrange a \$300-
million standby loan at a spread
of 1 per cent over LIBOR if taken
down—the same terms accorded
to the SEC's recent syndicated
loan—and a 1/2-point commit-
ment fee if unused. However,
EDF is said to be meeting some
resistance as the terms are not
considered sufficiently attractive.

International Issues
(7-15 years)
March 5: 8.47%; April 28: 8.44%
Industrials
(5-7 years)
March 5: 7.11%; April 28: 7.10%
Industrials
(7-15 years)
March 5: 8.65%; April 28: 8.61%
Market Turnover
May 7 April 30
Cedel \$654.7 mil. \$840.7 mil.
Euroclear \$596.3 mil. \$848.4 mil.

Prober of Gulf Political Gifts Eyes Recipients' Tax Status

By Walter Pincus

WASHINGTON, May 9 (WP).
—The Watergate special prosec-
utor began to investigate
possible criminal violations of the
tax law by recipients of illegal
cash contributions that the Gulf
Oil Corp. made to election cam-
paigns, according to records filed
in court here.

Among those to be investigat-
ed, according to the records, are
"individuals, corporations and
political committees or organiza-
tions."

On April 7, according to the
records, special prosecutor
Charles Ruff got court approval
to give Internal Revenue Service
agents access to grand jury tes-
timony and the records of his
eight-month-old investigation of
Guilf's contributions to federal
campaigns.

Mr. Ruff wrote the court that
the help of IRS experts was need-
ed "to trace numerous payments,
possibly part of illicit ventures,
through foreign and domestic
corporations, committees and in-
dividuals and said his staff of
three attorneys did not "pos-
sess sufficient expertise in all
relevant areas to conduct a com-
plete investigation."

Complex Study
IRS agents have helped sift the
complex transactions surrounding
the illegal contributions, accord-
ing to the court papers.

In addition to alleged tax law
violations, the prosecutor listed
obstruction of justice as another
new area of investigation.

The three-year period allowed
by the Statute of Limitations is
about to expire, for prosecutions
on illegal campaign contributions
from corporate funds by Gulf's

universal, highly effective contra-
ceptive practice—at least among
married couples.

Dr. Westoff, who with Norman
Ryder was co-director of the Na-
tional Fertility Studies of 1965,
1970 and 1975, concluded that "a
veritable revolution" had occurred
in contraceptive practice "when
one considers that, just 15 years
ago, contraceptive sterilization,
the pill and IUD were used only
by a trivial proportion of couples
or were nonexistent."

All told, 70 per cent of couples
in 1973 were using some method
of contraception. Of the other
30 per cent, about four of five
couples were not risking an un-
intended pregnancy because the
woman was already pregnant or
trying to get pregnant or was
infertile.

Dr. Westoff found that the
contraceptive revolution had oc-
curred among all age groups and
among blacks as well as whites.

SEC Chief Says Bribe Scandals Are Not Over

HOT SPRINGS, Va., May 9
(UPI).—The scandal of bribes
and illegal campaign contribu-
tions by corporations is not over,
the head of the Securities and
Exchange Commission said yes-
terday.

SEC Chairman Roderick Hills
met reporters after a speech at
the closed, spring meeting of the
Business Council, an organization
of executives from the nation's
largest corporations which meets
four times a year to consult with
government officials.

More than 100 corporations have
been connected with payments
of several hundred million dollars
for questionable purposes, includ-
ing bribes to foreign politicians
and illegal contributions to polit-
ical candidates.

"We expect more disclosures,"
Mr. Hills said. "We expect further
reflections of corporate arro-
gance." He gave no details but
indicated that there might be 5
to 15 cases involving serious at-
tempts to subvert the law.

The SEC has won court settle-
ments requiring public reports on
the Gulf Oil, Lockheed Aircraft
& Philips Petroleum among others
and is moving against the Boeing
Co. and International Telephone
& Telegraph. Mr. Hills said the
corporate scandals suggest that
the "mechanics of the SEC have
failed and changes will be made."

Two U.S. Firms Fined In Grain-Theft Case

NEW ORLEANS, May 9 (NYT).
Two large grain companies have
been fined a total of \$430,000
in federal court after plead-
ing no contest to conspiracy in
systematic thefts of grain from
foreign commerce.

Cook Industries Inc. and Mis-
sissippi River Grain Elevator Inc.
entered their pleas after being
indicted by a federal grand jury.
Both companies were also charg-
ed with falsification of docu-
ments to cover the thefts.

Flyers Versus Canadiens: A Test of Styles

By Robin Herman

NEW YORK, May 9 (NYT).—
Two disparate philosophies of
hockey will collide tonight when
the Montreal Canadiens and the
Philadelphia Flyers open their
1976 Stanley Cup final series.

"People have been wanting this
series for three years now," said
Steve Shutt, a Montreal player.
"It's a series of speed against
strength."

Montreal is noted for its ex-
plosive offensive, Philadelphia for
its bruising defense. This series
will be a test of the kind of
sleek hockey that "purists" call
traditional against the currently
popular rough-edged variety of
play that has made civil prosecu-
tors students of the game.

Whether the Canadiens do
indeed skate speedily and the
Flyers choose to emphasize the
sport's uglier skills will not really
matter. The teams both carry
weighty reputations that will out-
last their performances in one
particular playoff series. The
meeting between them will have
implications outside of the actual
play-by-play.

Should Philadelphia win its
third consecutive Stanley Cup
championship, some persons in
the National Hockey League are
suggesting, it might be bad for
hockey. In this year of wide-
spread publicity over hockey vi-
olence, the league may be ham-
pered in its efforts to correct this
aspect of the game's development

if the National Hockey League's
championship club is the very
team at the center of the con-
troversy.

But, said Ken Dryden, Mont-
real's goalie, "Philadelphia looks
as if they're deciding to play
hockey."

Indeed, after a turbulent and
pugilistic quarter-final series with
the Toronto Maple Leafs, the
Flyers played a quiet but intense
series against the Boston Bruins,

another team with a brutish
reputation. Boston was eliminat-
ed in five games.

"You're only as unnecessarily
violent as you can get away

Hayes Receives Aid From Wind In Leading Golf

DALLAS, May 9 (AP).—
Mark Hayes, benefitting from a
wind that held off his challengers,
needed only a par 71 yesterday
to expand his lead to three
strokes after 54 holes of the
\$200,000 Byron Nelson golf classic.

Hayes, 28, often a leader but
not yet a winner, put together a
three-round total of 204, 9 under
par on the 6,933-yard Preston
Trail Golf Club course.

Even Jack Nicklaus fell victim
to the shifting, gusty winds, as
he bogeyed two in a row coming
home and went from a contend-
ing three strokes back to a six-
shot deficit going into today's
final round of the chase for a
\$40,000 first prize.

Don Bles, one of the few lead-
ers able to break par yesterday,
moved into second place with a
70 that put him three shots back
at 207.

Masters champion Ray Floyd
hit one in the water on the 16th
hole, but finished birdie-birdie
and salvaged a 71 and a 208 total.
He was tied at that figure with
Don January, who recently won
the Tournament of Champions.
January shot a 70.

THIRD-ROUND LEADERS
Mark Hayes 68-67-71—204
Don Bles 67-70-70—207
Don January 69-69-70—208
Ray Floyd 70-71-68—209
Larry Nelson 68-70-71—209
Tom Kite 68-67-74—209
Bob Smith 68-69-72—209
Ben Crenshaw 70-71-69—210
Jack Nicklaus 71-68-71—210

with," said Dryden. "When the
Flyers are against an opponent
which could make them pay a
price, there's a decision on their
part not to play that way. I
think it happened against Boston
and I believe they feel the same
way about us. I expect the series
will bring out the best in the
Philadelphia team."

Philadelphia generally considers
the Canadiens to be the favorite
in the series. "The whole world
knows how good they are," said
Fred Shero, Philadelphia's eru-
dite coach. "If we're healthy,
we've got a good chance."

"They have their way of play-
ing and we have our way of
playing," said Bobby Clarke, the
Flyers' captain. "I don't know
how it will come out."

Don Cherry, coach of the
Bruins, said, "The Montreal series
depends on one guy, Wayne
Stephenson (the Philadelphia
goalie who took over for Bernie
Parent this season). If he plays
as well against Montreal as he did
against us, they've got a helluva
chance."

The New York Islanders series
prepared the Canadiens for the
Flyers, said Scotty Bowman,
Montreal's coach. "In my own
personal opinion," he said, "the
Islanders were the top defensive
team in the league, not including
us. They're physical and they
play the body. Those two aspects
I don't think Philadelphia will
better. Certainly the Flyers are
more dangerous offensively, but
you're basically playing a club
with the same style."

"I think Philadelphia will get a
good lift out of the Boston series,
especially with Leach doing so
well," said Bowman. In Philadel-
phia's 6-3 victory over Boston in
the series' decisive game, Reggie
Leach scored his team's first five
goals. Thus far Leach has 75
goals this season and is closing
in on Phil Esposito's record of 79
goals totaled in the regular season

and playoffs, in the 1970-71 season
when Esposito was with the
Bruins.

But one team that is picking
the Flyers to win the final series
is the Islanders. "If Montreal
plays like they played against
us, no way," said Glenn Resch,
New York's goalie. "They played
just well enough to win and
lucky enough to win."

Dryden agreed that the Cana-
diens must improve in the next
series. "We have to be more
consistent and I think we have
to play smarter hockey," he said.

English Soccer Shows Youth

CARDIFF, May 9 (Reuters).—
England's new-look soccer team
beat Wales, 1-0, here yesterday
in its first match in the British
championship series.

Manager Don Revie, getting
ready for England's first World
Cup qualifying tie in Finland in
June, experimented with several
new young players.

The goal came in the 57th min-
ute from winger Peter Taylor of
Third Division club Crystal Pal-
ace, whose only previous appear-
ance in a full international was
as a substitute.

At Glasgow, Scotland defeated
Northern Ireland, 3-0, for its sec-
ond triumph in three days in the
British tournament. Scotland,
which has scored six goals in its
first two matches, established it-
self as favorites with goals from
Archie Gemmill in the 24th
minute, Don Masson two minutes
after halftime and Kenny Dal-
glish five minutes later.

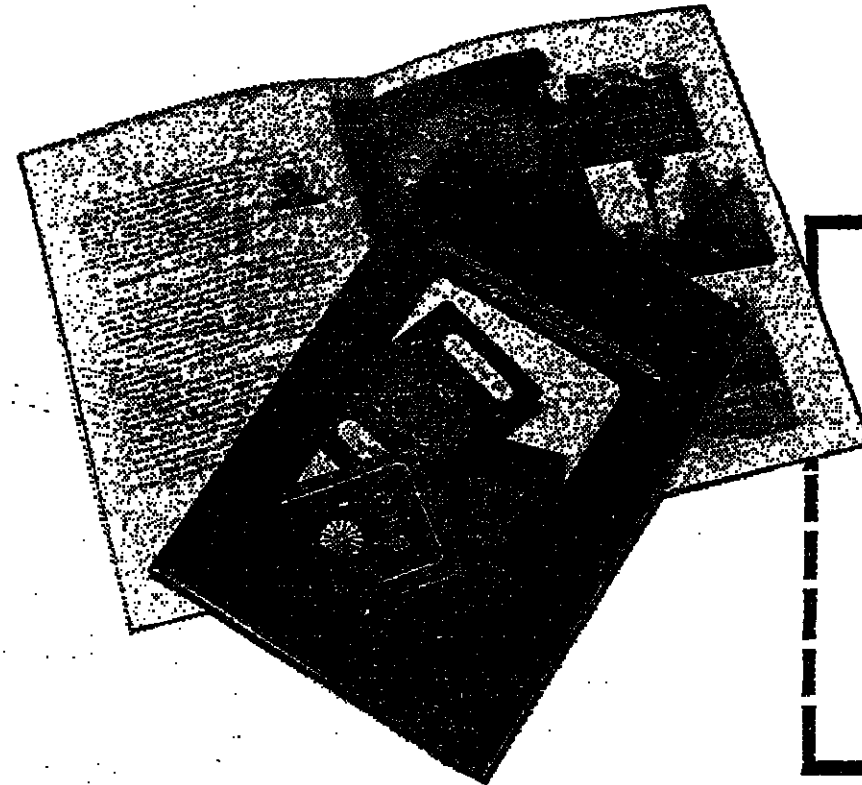
More Sports News
On Page 23

"When a company goes
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finance director has a
tough job.

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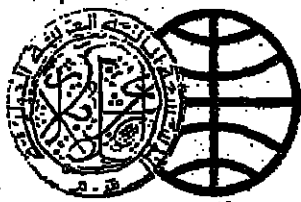
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Chairman of the Board: Dr. Chafic Akhras

Borg Beats Vilas After Poor Start for WCT Crown

AS, May 9 (AP).— Bjorn Borg, after a start, today reached his best friend, a Vilas of Argentina, 1-6, 6-1 for the World Championship Tennis title.

19, was runner-up in last year and directed son toward winning the title.

Started poorly today, misvolleys and he fell behind 2-3 in the first set. Borg, 23, was off to a slow start, but he soon turned the tide.

captured eight of nine of the tiring Vilas doublet set point in the second

natch was marked by a baseline rally. Borg's service in the 11th of the third set and broke me after the ball had the net 80 times, cut three minutes of actual ysed Vilas on set point, became unsettled at the g of the fatal fourth set questioned a linesman's be first game, which cost vick break. Vilas hit the ard the linesman, barely him, and from that point usual sure ground strokes or-prone.

roke Vilas in the first, at fifth games of the et as he stood back at

an 5 Gains

mpic Tourney

JURCH, May 9 (Reu- le draw for the Olympic l tournament in Mont- ly, announced here yes- s:

A: Soviet Union, Cuba, Australia, Canada and one three qualifiers from the Olympic tournament at n, Canada, starting on

B: United States, Italy, Rio, United Arab Repub- two qualifiers from ilton tournament.

ustralian to U.S.

KELEY, Calif., May 9- ndy Campbell, a 7-foot-1 from Australia, has be- tallest basketball player ruit to the University rnia.

the baseline and peppered Vilas with his famed two-fisted backhand.

Vilas, who has won more than a half-million dollars the past two years, earned \$20,000 as the runner-up to Borg's \$50,000 prize.

Borg lost to Arthur Ashe last year and to Australia's John Newcombe in 1974 and each time he won the first set.

Today he defeated Vilas after losing the first set and besides the cash prize earned a Cadillac, a \$1,000 wardrobe and a diamond ring.

Borg and Vilas are such good friends that they practiced together yesterday and early today before the match. They both wore shoulder-length hair, making headbands and whippers.

The match lasted 2 hours 45 minutes.

Borg was introduced in the victory ceremony by Dallas Mayor Bob Folsom, who proclaimed, "That at the ripe old age of 19, Bjorn Borg truly deserves to be called champion of world tennis."

"Before I came into the finals, everyone said the third time would be lucky," Borg said. "I hoped it would and I tried awfully hard to make it so."

King, Trabert Gain

CARLSBAD, Calif., May 9 (UPI)—Billie Jean King and Tony Trabert scored a 6-4, 6-2 victory over Virginia Wade and Vic Seixas yesterday to advance to the finals of the \$60,000 mixed doubles classic at the La Costa Racquet Club.

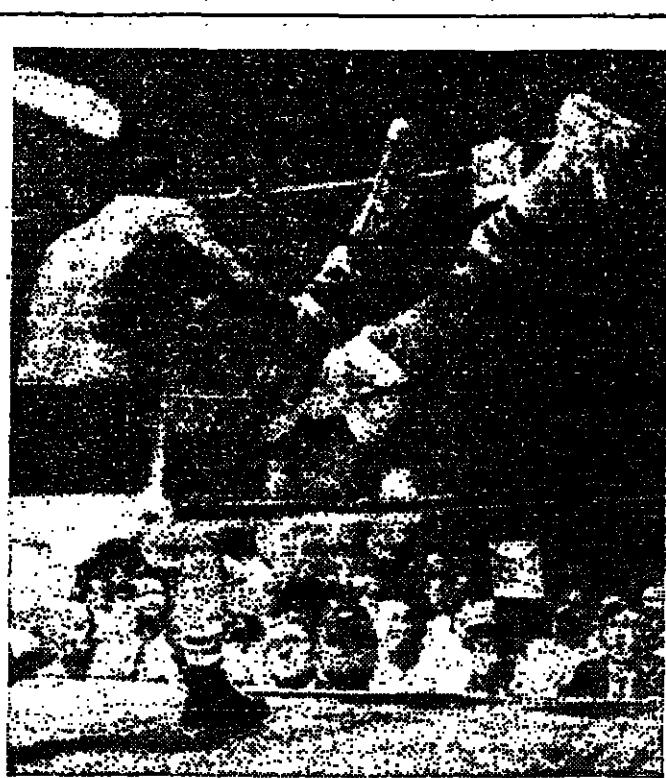
They will play Françoise Durr and Roy Emerson, semifinals winners over Terry Holladay and Lew Hoad, 6-2, 6-2 for the first-place team prize of \$20,000.

King-Trabert, defending champions of this event that pairs eight women pros with eight all-time men players, completely dominated the Wade-Seixas combination.

Orantes Triumph

MUNICH, May 9 (Reuters)—Top-seeded Manuel Orantes of Spain beat West Germany's Karl Meiler, 6-1, 6-4, 6-1 to win the \$9,000 first prize in the men's singles event at the Bavarian international tennis championships here today.

More Sports News On Page 21



OVER BUT NOT OUT—Sammy NeSmith is knocked out of the ring by Raul Aguirre, who soon grabs his opponent's legs to keep him from falling into the crowd. To show his appreciation, NeSmith returned to the ring after upside-down moment in sixth round and battered Aguirre, stopping him in final round.

United Press International

Erving's 1-Man Show

Continues for the Nets

UNIONDALE, N.Y., May 9 (UPI)—Julius Erving put on another one-man show with 24 points and 16 rebounds as the New York Nets moved to within one victory of their second American Basketball Association championship in three years with a 121-112 triumph over the Denver Nuggets last night.

Erving ran his four-game point total in the championship series to 153 as he combined, with reserve center Jim Eakins, to dominate the Nuggets in the second half.

Denver now takes a 3-games-to-1 disadvantage home for the fifth game Tuesday night.

Eakins came off the bench to score 13 of his 17 points in the second half. Neither Dan Issel nor rookie reserve Marvin Webster were able to keep Eakins from laying in easy taps and grabbing rebounds in the final period.

Issel led Denver with 36 points and 15 rebounds, while David Thompson, playing with a sore leg, scored 23. John Williamson notched 24 for New York and backcourt mate Brian Taylor had 23.

Holding an 89-82 advantage going into the final period, the Nets kept the pressure on at both ends to stretch it to 95-84 in only 90 seconds. Spearheaded by

Erving and Eakins, the Nets increased the bulge to 19 points with three minutes left in the game, 116-97, then coasted to the final buzzer.

"I don't think I'm trying to win all this by myself," Erving said. "It simply was that (Rich) Jones got into foul trouble and I had to help out on rebounds. Eakins had a great game and he would be starting on most other clubs."

Warriors Lead, 2-1

PHOENIX, Ariz., May 9 (UPI)—Phil Smith scored 15 points in the second half to carry Golden State to a 99-91 victory over the Phoenix Suns Friday night, giving the Warriors a 3-1 lead in the National Basketball Association Western Conference final.

Smith had only two points in the first half when he was limited to eight minutes after drawing three early fouls. But he came back with eight points in the third quarter and seven in the fourth.

Jamaal Wilkes led the Warriors with 23 points and rookie Gus Williams came off the bench to get 14. Rick Barry, who averaged 41 points in the first two games of the series, tallied 12.

The loss broke a 15-game home-court winning streak for Phoenix. The game was played before 13,193 fans, the largest crowd ever assembled in the Phoenix Arena.

Celtics Ahead, 2-0

BOSTON, May 9 (UPI)—John Havlicek, Dave Cowens and Charlie Scott kindled a fourth-period fast break that sparked the Boston Celtics to a 94-89 victory over the Cleveland Cavaliers and a 2-0 lead in their NBA Eastern Conference championship series.

The game was tied 3-2 Tuesday night in Cleveland.

Boston trailed, 71-68, heading into the final quarter, but after the teams traded baskets, Boston scored 11 straight points—mostly on the fast break.

ABA Playoff

Saturday's Game
New York 121, Denver 112 (Erving 24, Williamson 24, Issel 26, Thompson 24). Nets lead best-of-seven series, 3-1.

NBA Playoff

Friday's Game
Golden State 99, Phoenix 91 (Wilkes 15, Smith 17, Westphal 24, Adams 17). Warriors lead best-of-seven series, 3-1.

WHA Playoff

Friday's Game
Houston 5, New England 3 (Mark Hovde 10, Laidlaw 10, Todd 10). Oilers lead best-of-seven series tied, 1-1.

Saturday's Games

Atlanta 80, Los Angeles 78 (Bird 23, L. Brown 22).
Boston 100, Philadelphia 92 (R. Smith 24, M. Smith 24).
Cleveland 100, Detroit 92 (J. Williams 24, M. Williams 24).
Dallas 100, Houston 92 (J. Williams 24, M. Williams 24).
Denver 100, Kansas City 92 (J. Williams 24, M. Williams 24).
Detroit 100, Philadelphia 92 (J. Williams 24, M. Williams 24).
Houston 100, Los Angeles 92 (J. Williams 24, M. Williams 24).
Los Angeles 100, Dallas 92 (J. Williams 24, M. Williams 24).
Philadelphia 100, Detroit 92 (J. Williams 24, M. Williams 24).
Portland 100, Seattle 92 (J. Williams 24, M. Williams 24).
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